

Abuse of the National Transportation Safety Board's Rapidraft Payment System

THURSDAY, APRIL 13, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
TASK FORCE ON HOUSING AND INFRASTRUCTURE,
Washington, DC.

The Task Force met, pursuant to call, at 10:15 a.m. In Room 210, Cannon House Office Building, Hon. John Sununu (chairman of the Task Force) presiding.

Members present: Representatives Sununu, Knollenberg, Miller, Ryan, Toomey, Bentsen, Clement and Lucas.

Mr. SUNUNU. Good morning. Today's hearing is the first of the Housing and Infrastructure Task Force, one of six such panels recently established by the House Budget Committee. The overriding objective of these panels is to identify and review cases of mismanagement or misuse of Federal funds in an effort to better allocate resources, improve government operations and ultimately look out for the taxpayers' interests.

I do not view these issues that we are going to be addressing in these hearings as partisan, and it is not our objective to point fingers or place blame. Frankly, both the administration and the Congress share a responsibility to oversee these agencies. If problems occur, we need to work together to look for solutions.

I believe that success in the continuing efforts here will not be marked by a dramatic hearing or simplistic legislation that guarantees accountability but instead by painstaking review and evaluation of what works and, of course, what doesn't work in government.

Today's hearing is a modest step in this direction. In reviewing the problems associated with the Rapidraft check writing system within NTSB, I hope that this Task Force can address three specific areas:

First, we need to understand what basic flaws of the Rapidraft system led to very significant abuses, a significant number of drafts being processed for inappropriate uses. Second, we should consider the corrective action that has been taken by NTSB leadership and assess whether or not similar changes should be implemented in other Federal agencies that might still be relying on Rapidrafts or other similar third party systems. And, third, I believe we should consider whether extending legislation such as the Inspector General Act or the Chief Financial Officers Act to additional Federal agencies would help prevent similar problems from occurring in the future.

I believe that today's two witnesses and NTSB Chairman Jill Hall and Inspector General Ken Mead will help provide answers to these important questions.

Before we begin, however, I want to make a few personal observations about the NTSB itself. In my view and I believe the view of Congress and the American people, the NTSB is without peer in the performance of its core mission. The technical expertise and objectivity of its investigators helped to ensure the safety of travelers not just in the United States but throughout the world. And this is indeed a unique role. The NTSB provides an invaluable service to the country and has earned its reputation for integrity.

It should be emphasized that the problems we are going to discuss today relating to the Rapidraft system are unrelated to the core investigatory work of the NTSB. Moreover, it was the leadership within the NTSB itself that first identified the problems and requested that the Department of Transportation Inspector General work to begin an audit and make recommendations to the Board.

This could not have been an easy request for Mr. Hall and the Board to make. Moreover, implementing the changes to financial systems, which the NTSB has already begun, is a difficult task in any organization. Yet, throughout this process, the Board has continued to meet its critical responsibilities in an exemplary fashion. It is a fact that I believe is a great credit to Mr. Hall's personal leadership.

The objective of this hearing is not to assign blame or responsibility for a system that we know is flawed and that the current Board inherited and which had been in place for about 10 years. The Task Force's goal is not to second-guess the overall effort of Mr. Hall or Mr. Mead. To the contrary, Mr. Hall's initial problem identification and request should really serve as a model for others in similar positions.

Instead, I hope we will work to make the best possible use of the hard work already done by Mr. Hall and Mr. Mead and their respective staffs and apply the important lessons before us across all areas of the Federal Government.

It is my pleasure to yield at this time to Mr. Bentsen for an opening statement.

Mr. BENTSEN. I thank my chairman of the Task Force, Mr. Sununu, for yielding to me.

I want to thank or welcome both Chairman Hall and Inspector General Mead here today. We appreciate you testifying.

I can't help but say that—it's not Mr. Sununu's fault—but we probably should have had the FAA here today. Because, as we speak, the conference report on the budget resolution is coming up on the floor, and you have got members of the committee who are stuck here. But we do have important business before us today, and I know Mr. Sununu and I are eager to get over to the floor and do rhetorical battle with respect to the budget, as well as the other members are.

The Task Force is charged with holding oversight hearings on waste, fraud and abuse and reporting our findings and recommendations to the full House Budget Committee. I know of no one, Democrat or Republican, in the Congress who believes the

American people should tolerate any waste, fraud and abuse involving their hard-earned tax dollars.

In this our first oversight hearing we turn to the Rapidraft check writing program of the National Transportation Safety Board. With all due respect to Chairman Hall, the NTSB is not really on the Nation's radar screen except for those tragic times when there is a major accident. When there are tragedies in our skies like the Egyptair crash off the coast of Nantucket or the TWA flight 800 in New York, we look to the NTSB to investigate. I think I can safely say that there is a broad agreement by Members on both sides of the aisle that the NTSB is the world's premiere independent accident investigation agency.

I would like to start also by commending you, Chairman Hall, on your proactive stance with respect to financial inconsistencies that your agency unearthed at the NTSB.

From my reading of the materials supplied, in 1999, when your Office of Finance became aware of potential abuses of the Rapidraft system, you contacted the Inspector General, who did not have jurisdiction over your agency, and requested that he come in and conduct an audit. You then terminated the Rapidraft system and replaced it with a program universally used throughout the government. Shortly after, the Chief Financial Officer, who failed to properly audit payments under the system, was voluntarily separated from his position. All the while, you apprised the authorizing congressional committees of your activities. Moreover, I understand that you recently contracted with an outside firm to have them conduct a complete audit of the abandoned Rapidraft system that goes beyond the Inspector General's investigation.

Chairman Hall, I want to commend you and your agency for showing us how an agency can take the reins of responsibility and initiate reform that deters waste, fraud and abuse. I think this is something that you ought to be proud of and something that, at the conclusion of these hearings, Mr. Chairman and members, that we ought to hopefully hold out as a model for the Federal Government in standing up and addressing problems within an agency rather than not doing anything.

And, with that, I yield back the balance of my time.

Mr. SUNUNU. Thank you, Mr. Bentsen.

Mr. SUNUNU. At this time, it is my pleasure to welcome both of our witnesses. We will take testimony from each, Mr. Mead and Mr. Hall, and then allow members 5 minutes on alternating sides for comments and questions.

**STATEMENTS OF KENNETH M. MEAD, INSPECTOR GENERAL,
DEPARTMENT OF TRANSPORTATION; AND JAMES E. HALL,
CHAIRMAN, NATIONAL TRANSPORTATION SAFETY BOARD**

Mr. SUNUNU. Welcome, Mr. Mead. We're pleased to have you begin.

STATEMENT OF KENNETH M. MEAD

Mr. MEAD. Thank you, Mr. Chairman and members of the Task Force.

I want to at the very outset here reaffirm what you said in your opening remarks. The Department of Transportation Inspector

General does not have statutory audit or investigative jurisdiction over the National Transportation Safety Board. We did our work at the request of Chairman Hall, who called us promptly upon learning of some issues concerning this Rapidraft program; and he just as rapidly took action upon our recommendations. Indeed, even in advance of us issuing our formal recommendations, the chairman acted.

And that is not always the case. As you look about government, when you find recommendations from the Inspector General or GAO, you don't always see such expeditious implementation. So I just want to say I hold Chairman Hall in the highest personal and professional regard.

Now, beginning in 1984, NTSB contracted with a vendor to provide a line of credit for writing third-party checks, which in our testimony we will refer to as Rapidrafts. They are much like your own checks except they have NTSB's name on them. A primary purpose of these Rapidrafts was to eliminate extra paperwork and processing time required to issue Treasury checks. The vendor administered the Rapidraft program, including issuing blank checks and providing NTSB with monthly transaction statements and canceled checks.

Now our testimony is going to cover three areas: First, the established internal controls for this program were not working as intended, and clearly so; second, what our recommendations were and NTSB's response; and, finally, I think our findings illustrate the need for some type of institutional oversight of NTSB in the financial management area.

The Rapidraft system was in operation from 1984 through September 1999. It authorized some NTSB employees, 177 of the total complement of about 450 staff, to write Rapidrafts for accident and nonaccident investigation purposes.

During the past 3 fiscal years, NTSB issued 26,000 Rapidrafts totaling nearly \$13 million. During the first 11 months of 1999 about \$3.6 million in Rapidraft payments were made. This system was under the general management of NTSB's Chief Financial Officer, called a CFO for short. Its operation was governed by an NTSB order.

In late August 1999, after learning about incidents of possible abuse, Chairman Hall asked for our assistance in investigating and auditing the suspected abuse. We agreed to do so.

We performed the work under what is called a memorandum of understanding, which actually had been under discussion between NTSB and our office even before this abuse was uncovered. Chairman Hall told me that he wanted audit coverage just as a good financial management practice.

Well, our audit revealed that the Rapidraft system was seriously mismanaged. Of the 1,000 Rapidrafts paid during fiscal 1999 which we sampled, 902 of those, or over 90 percent, failed to comply with NTSB internal controls. Now what do I mean by that? There are seven specific deficiencies that I would like to note here.

First, 678 of the 1,000 Rapidrafts didn't contain a required explanation for the check. Now, without an explanation or supporting documentation, it is difficult to determine whether the disbursement is for a legitimate purpose. An example: in November, a

\$2,150 Rapidraft was issued and negotiated with no payee and there was no explanation on the Rapidraft as to what the purpose of the check was.

Second deficiency: 222 of the 900 checks were paid without the required signature or authorization number. We found, for example, a \$1,416 check that was paid—issued—but it bore no authorizing signature. It is like you cashing a check but not signing it.

A third deficiency: 22 Rapidrafts were issued in 1999 in excess of the \$2,500 ceiling. For example, six ranging from \$7,800 to \$24,000 were issued for building renovations.

Fourth deficiency: as a matter of practice, paid Rapidrafts were not reconciled with supporting documentation by NTSB. In fact, when my staff retrieved the canceled Rapidrafts from NTSB, they were still in the same unopened envelopes that the vendor used to send them to NTSB. That compares to getting your bank statement, throwing it in a drawer and never looking to see whether the checks were yours or the charges appropriate.

Fifth: employees separating from NTSB weren't required to turn in their unused checks, and many did not. Moreover, the contractor was not notified, in turn, that 37 employees, 37 of the 177 users, had left the agency. The headquarter's employee who embezzled over \$70,000 and who in fact worked for the Chief Financial Officer used Rapidrafts that were left behind by a former employee.

Sixth: employees could order blank Rapidrafts from the contractor without management approval or knowledge. Management didn't track how many Rapidrafts were issued to the employees, and they were not kept in secure locations.

And, finally, these checks were used to split purchases and circumvent Federal regulations. Splitting is the practice of using multiple checks to divide a single purchase to avoid competition. For example, one employee wrote three checks totalling \$4,600 to the same vendor on one day for the same thing. And this lack of adherence to internal controls overall rendered the system susceptible to fraud, waste and abuse.

Our investigations disclosed that two employees had embezzled government funds using the Rapidraft system. The employees have resigned. Criminal prosecution has been initiated against both of them.

On April 4, one former employee was indicted by a Federal grand jury on seven felony counts.

On April 11, the other former employee, the one who worked under the Chief Financial Officer, was charged with a felony for embezzling nearly \$74,000.

In November 1999, we apprised NTSB of our findings. We recommended that they discontinue the Rapidraft system, implement an approved payment program using credit cards and ensure that the Chief Financial Officer's Office developed and implemented comprehensive internal controls.

Chairman Hall told us that he had discontinued the Rapidraft Payment System. He adopted the governmentwide purchase credit card and travel credit card programs. He also appointed a new CFO. He has retained the services of a private sector audit firm to audit the financial management systems.

Now the NTSB, as your opening remarks indicated, is held in very high regard for its investigations. And, in this case, NTSB took prompt action to get help, and it took prompt corrective action, and they have committed to a meaningful course of corrective action on a broad front.

Now, it is necessary for Chairman Hall to seek outside assistance, because NTSB doesn't have an Inspector General or an equivalent institutional oversight mechanism. We feel that if they had been subject to some type of institutional oversight and follow-up of corrective action, it is likely that the problems uncovered in 1999 may have been avoided.

And just by way of illustration, I should say that, because of the experience at NTSB and our own prior audit work at FAA, the Department is terminating a similar program at FAA where similar weaknesses were found. And that wouldn't be possible if we weren't there to constantly monitor the situation. It just shows I think the value of continuing oversight. And that concludes my remarks.

Mr. SUNUNU. Thank you very much, Mr. Mead.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR GENERAL, U.S.
DEPARTMENT OF TRANSPORTATION

Mr. Chairman and members of the Task Force, we appreciate the opportunity to discuss the National Transportation Safety Board's (NTSB) Rapidraft Payment System.

In 1984, NTSB contracted with a vendor to provide a line of credit for third-party check writing privileges. A primary purpose of these checks, referred to as Rapidrafts, was to eliminate the extra paperwork and processing time required to issue checks through the Treasury Department. The vendor served to administer the Rapidraft program, including issuing blank checks (drawn against the vendor's bank account), maintaining a list of authorized NTSB users, and providing NTSB with monthly transaction statements and canceled checks. NTSB renewed the firm's contract, most recently in 1996.

The Rapidraft Payment System—in operation from 1984 through September 1999—authorized some NTSB employees, including on-site accident investigators, to write Rapidrafts "for accident and nonaccident investigation costs." These Rapidrafts were limited to \$2,500 per transaction. During the past three fiscal years (FY), 1997 through 1999, NTSB issued 26,097 Rapidrafts totaling \$12.9 million. During the first 11 months of FY 1999, only \$227,776 (6 percent) of the \$3.6 million Rapidraft payments were associated with on-site accident investigations.

The Rapidraft Payment System was under the general management of NTSB's Chief Financial Officer (CFO). Its operation was governed by an NTSB Order prescribing the procedures and internal controls on use of Rapidrafts.

In late August 1999, after learning about incidents of possible abuse of the Rapidraft Payment System by one or more NTSB employees, NTSB Chairman Jim Hall requested our assistance in investigating the suspected abuse. In addition to rendering investigative services, we agreed to perform a broader audit of the Rapidraft Payment System. As NTSB is not within the scope of our investigative and audit authority, we performed the work under a mutually agreed to Memorandum of Understanding and Agreement.

In brief, our audit revealed that the Rapidraft Payment System was seriously mismanaged. Our review of 1,000 Rapidrafts paid during FY 1999 showed that 902, over 90 percent, were noncompliant with NTSB internal controls. Specific deficiencies we identified include the following:

- 678 Rapidrafts did not contain the required explanation for the check.
- 222 Rapidrafts were processed and paid without the required signature or authorization number.
- 22 Rapidrafts were issued in excess of the \$2,500 limit. In the two prior fiscal years, more than 150 Rapidrafts exceeded \$2,500, including eight Rapidrafts issued for \$20,000 or more.

- As a matter of practice, paid Rapidrafts (forwarded by the contractor to NTSB, similar to a bank's return of canceled checks to a customer) were neither reviewed nor reconciled with supporting documentation by NTSB.
- The contractor was not notified that 37 of the 177 authorized users had left NTSB.
- Employees separating from NTSB employment were not required to turn in unused Rapidrafts and many did not.
- Employees ordered and received blank Rapidrafts from the contractor without management approval or knowledge.
- NTSB management did not track how many Rapidrafts were issued to employees.
- Rapidrafts were not kept in secure locations at NTSB.
- Rapidrafts were used to "split" purchases and circumvent Federal Acquisition Regulations and NTSB Orders. ("Splitting" is the practice of using multiple Rapidrafts to divide a single purchase—which exceeds the Government's \$2,500 micro-purchase ceiling—into a series of separate, smaller purchases in order to circumvent the ceiling.)

NTSB's lack of adherence to internal controls rendered the Rapidraft Payment System susceptible to fraud, waste and abuse, as evidenced by two known embezzlements which we investigated. Our investigations disclosed that two NTSB employees, one in a field office and one at Headquarters had separately embezzled Government funds using the Rapidraft System. The employees resigned before our investigation commenced in August 1999. Since then, our findings concerning each of those former employees have resulted in criminal prosecution by the Department of Justice.

Our investigation disclosed that a former employee was responsible for misappropriating in excess of \$20,000. On April 4, 2000, she was indicted by a Federal grand jury in the Northern District of Georgia on seven felony counts of embezzlement. On April 11, 2000, the other former employee—who worked under NTSB's former CFO—was charged in a one-count felony Information by the U.S. Attorney's Office for the District of Columbia for embezzling approximately \$74,000.

In early November 1999, we apprised NTSB of our audit and preliminary investigative findings, transmitting our formal audit report. Our audit report recommended that NTSB:

- Discontinue the Rapidraft Payment System.
- Implement approved payment programs, such as the Governmentwide commercial purchase card and a Federal payment processor for travel-related reimbursements.
- Ensure that the CFO's office develops and implements comprehensive internal controls for these programs.

In response to our recommendations, Chairman Hall notified us that he had discontinued the Rapidraft Payment System and NTSB adopted the Governmentwide purchase credit card program. Moreover, NTSB appointed a new CFO in January 2000 and has retained the services of a private sector audit firm to assist in identifying weaknesses and recommending procedures and resources for improved audit control. This outside audit firm will audit and examine internal control weaknesses in other financial systems, such as NTSB's travel program, accountability of property and internal controls, and electronic certifications. These programs and systems were beyond the scope of our review of the Rapidraft Payment System.

The NTSB is held in high regard for its expertise and role in assuring the safety of all modes of transportation. It is widely regarded as the preeminent investigative agency of its kind in the world. We note NTSB's prompt action in requesting assistance to identify the cause and extent of the problems with the Rapidraft program and appreciate its cooperation with our auditors and investigators. NTSB has committed to a meaningful course of corrective action on a broad front, promptly ending its use of Rapidrafts even before the completion of our audit, and must now follow through in its implementation of these actions.

To help the Task Force in its efforts, our testimony today addresses three areas related to the problems identified with the NTSB's Rapidraft program.

- First, the established internal controls were not operating as intended,
- Second, our recommendations to correct the problems identified and NTSB actions relative to those recommendations, and
- Finally, our findings in this matter illustrate the need for some type of institutional oversight within NTSB in order to provide the Chairman and the Board with independent reviews of NTSB's financial management programs and business operations. This capability presently does not exist.

In December 1997, we issued an audit report to the Federal Aviation Administration (FAA) regarding the closeout of its imprest fund, which included recommenda-

tions concerning third-party drafts. At that time, we recommended FAA limit its use of third-party drafts to exceptional circumstances. As a result of our work with the NTSB in this matter, we made follow-up inquiries about the continued use of third-party drafts in the Department of Transportation (DOT).

On March 30, 2000, DOT's Assistant Secretary for Budget and Programs issued a memorandum informing all DOT operating administrations that the use of third-party drafts will be discontinued by the end of Fiscal Year 2000. As originally designed, third-party draft programs once served a useful purpose by providing a payment mechanism for time-sensitive missions such as NTSB's. However, the Government's adoption of purchase and travel credit card programs has supplanted the need for third-party drafts.

INTERNAL CONTROLS WERE NOT OPERATING AS INTENDED

The Rapidraft Payment System was seriously mismanaged and subjected to embezzlement. During fiscal years (FY) 1997 through 1999, NTSB issued 26,097 Rapidrafts totaling \$12.9 million. While intended "for accident and nonaccident investigation costs", Rapidrafts were predominately used to reimburse employees for non-accident related travel, pay tuition for training, make equipment purchases, and pay employees' salaries. Also, Rapidrafts were processed and paid when they exceeded the \$2,500 limit, and employees "split" purchases to circumvent that limit and the Federal Acquisition Regulations.

The internal controls designed for the Rapidraft Payment System were not followed, resulting in numerous weaknesses that left the System inherently vulnerable to fraud, waste, and abuse. For example, Rapidraft stocks were not protected from unauthorized use, Rapidrafts were paid without the required signature or authorization number, and 37 of the 177 authorized users no longer worked for NTSB. Rapidrafts were also paid when the signatures of current and former employees were forged. The CFO's office did not review paid Rapidrafts or reconcile them with required supporting documentation to ensure payments were authorized and appropriate.

Our review of 1,000 Rapidrafts paid during FY 1999 showed that they frequently lacked supporting documentation. The lack of documentation precluded us from determining whether many of the payments were for legitimate NTSB purposes.

RAPIDRAFTS WERE USED IN VIOLATION OF NTSB POLICY

Contrary to NTSB policy, Rapidrafts were paid when they exceeded the \$2,500 limit, and payments were split to circumvent acquisition regulations and the \$2,500 limit. NTSB Order 1542 Section 5b(2) states "Rapidrafts are limited to a maximum of \$2,500 per item/service." During FY 1999, the Rapidraft Payment System contractor processed 22 NTSB Rapidrafts that exceeded the \$2,500 limit, including ones for \$11,076 and \$4,070. During a limited review of FY 1998 and FY 1997 Rapidrafts, we identified 107 and 49, respectively, that were processed for more than \$2,500 including individual Rapidrafts as follows:

- \$28,532 for hotel services;
- \$24,461, \$20,000, and \$13,357 for building renovations (FY 1997);
- \$16,404, \$10,000, and \$7,890 for building renovations (FY 1998); and
- \$5,795 for telephone service.

Also, NTSB Order 1542 Section 5b(3) notes "A paid Rapidraft does not eliminate or mitigate . . . the prohibition against subdividing foreseeable purchases, merely to use simplified procedures." However, NTSB employees—including the former CFO—were "splitting" payments using multiple Rapidrafts to divide a purchase that exceeds the government's \$2500 micropurchase ceiling into a series of separate, smaller purchases in order to circumvent the ceiling, a violation of Federal Acquisition Regulations and NTSB Order. For example, one employee wrote three Rapidrafts totaling \$4,649 to the same payee on 1 day for computer equipment.

Internal controls were not sufficient to protect the System from fraud, waste, and abuse. Although some controls existed on paper, the controls were not followed. Also, NTSB staff were not trained in the proper use of Rapidrafts (NTSB Order 1542, Section 5a) or the penalties for misuse (NTSB Order 1542, Section 7a).

NTSB Order 1542 prescribes internal control procedures for Rapidrafts, including segregation of duties, limitations on use, requirements for supporting documentation, and guidance on safeguarding the Rapidrafts. For example, Section 6d states "If the Rapidrafts do not meet certain pre-established criteria, [the contractor] will reject them for payment. The amount may not exceed \$2,500. The signature appearing on the Rapidraft must be an authorized employee, and the authorization number must match the one assigned to that employee."

However, the internal control procedures were not followed by NTSB and the contractor. Specific weaknesses OIG identified include:

- Rapidrafts were paid without the required signature or authorization number.
- Rapidrafts were paid without the required supporting documentation.
- The contractor was not notified that 37 of the 177 authorized users had left NTSB.
- Employees leaving NTSB were not required to turn in unused Rapidrafts and many did not.
- Employees ordered and received blank Rapidrafts from the contractor without management approval or knowledge.
- NTSB management did not track how many Rapidrafts were issued to employees.
- Rapidrafts were not kept in secure locations at NTSB.
- As a matter of practice, paid Rapidrafts (forwarded by the contractor to NTSB, similar to a bank's return of canceled checks to a customer) were neither reviewed nor reconciled by NTSB.

Our sample of 1,000 Rapidrafts from the 7,749 paid during the first 11 months of FY 1999 showed that 902 Rapidrafts (90 percent) were noncompliant with NTSB internal controls. For example, 678 Rapidrafts (68 percent) did not contain the required explanation of the purpose for the check. Also, 222 Rapidrafts (22 percent) were processed and paid even though they did not include the required authorization number. Additionally, 52 Rapidrafts contained more than one deficiency such as no signature on the check and no explanation of the purpose for the check. While the contractor should not have paid Rapidrafts without signatures or authorization numbers, NTSB officials did nothing to check the contractor's actions or processes.

Specific examples of Rapidrafts issued and transacted in violation of the usage procedures are as follows:

- In August 1998, a \$1,416 Rapidraft bearing no authorizing signature was issued and subsequently negotiated.
- In November 1998, a \$2,150 Rapidraft for which no payee was listed was issued and later negotiated.

Further, canceled Rapidrafts were not reviewed or reconciled with supporting documentation to verify that the payments were for legitimate products or services, and that the transacting employee was authorized to make the payment. Bundles of paid Rapidrafts from the contractor were stored unopened, and the CFO's office did not compare them against supporting documentation.

The CFO's office only compared a listing of check numbers and dollar amounts on the contractor's bill with check numbers and amounts entered into the accounting system by employees who issued the Rapidrafts. If there was a match, NTSB paid the bill without question. Reconciling Rapidrafts to the supporting documentation is an important control mechanism because it provides independent assurance that payments and purchases are authorized and appropriate.

CONTROL WEAKNESSES WERE PREVIOUSLY IDENTIFIED

Weaknesses in internal controls for the Rapidraft Payment System were identified on at least two previous occasions. A 1992 audit report by the General Services Administration's (GSA) Inspector General on NTSB's travel procedures and practices identified internal control weaknesses in the use of Rapidrafts. Also, staff began raising concerns to the NTSB CFO in early 1999 that internal controls were not being implemented.

The GSA Inspector General concluded that Rapidrafts were not properly safeguarded and were improperly used. Specifically, the GSA Inspector General's report noted that investigators or their supervisors were routinely issuing Rapidrafts for travel advance purposes even though they were not authorized to do so. The report also noted that subordinates issued Rapidrafts to their supervisors for travel purposes. The GSA Inspector General noted that these practices were of particular concern because they circumvented a fundamental control—separation of duties.

The then-Comptroller (former CFO) responded to the report outlining planned corrective actions to be taken, including issuing a memorandum to all employees on authorized uses and safeguarding of Rapidrafts. Based on our work, corrective actions were either never implemented or sustained because we identified the same weaknesses as the GSA Inspector General.

Also, in January 1999, CFO staff began raising concerns to the CFO that Rapidraft users were not complying with internal control requirements. Specifically, CFO staff noted that Rapidraft users were not submitting required supporting documentation for purchases and not entering required data into the accounting system. When these concerns were ultimately raised to and reviewed by senior managers

outside of the CFO's office, instances of embezzlement were uncovered. Further, we found that in January 1999, NTSB personnel in the office of the CFO alerted the former CFO to irregularities involving the use of Rapidrafts by the former Headquarters employee who has since been charged with theft. Yet the CFO did not take timely or adequate action and, in the next 8 months, until the Headquarters employee resigned in August 1999, this employee embezzled approximately 34 Rapidrafts totaling \$30,000. The CFO resigned effective November 29, 1999, after our investigation was commenced.

RAPIDRAFTS WERE EXPLOITED IN TWO KNOWN EMBEZZLEMENTS

In the end, the lack of adherence to internal controls subjected NTSB to separate known embezzlements by two employees. We investigated a former GS-7 employee in the Atlanta field office of the NTSB suspected of embezzling approximately \$20,000. The employee resigned in July 1999. Investigation disclosed that between October 1998 and June 1999, the employee embezzled money from NTSB by writing Rapidrafts to employees of NTSB and then fraudulently endorsing the Rapidrafts to herself. The employee then deposited the Rapidrafts into a personal bank account. On April 4, 2000, the employee was indicted by a Federal grand jury in Atlanta, charged with seven counts of theft.

We also investigated a former GS-8 employee of the NTSB Headquarters staff who resigned in August 1999. On April 11, 2000, the former employee was charged in a one-count felony Information by the U.S. Attorney's Office for the District of Columbia for embezzling approximately \$74,000 between September 1997 and August 1999, by fraudulently writing 97 Rapidrafts to herself using the signature authority of a former NTSB employee and then cashing the majority of these Rapidrafts at a local liquor store. The Headquarters employee knew that once cashed, the canceled Rapidrafts were not reviewed by NTSB for purposes of reconciliation.

IG RECOMMENDATIONS AND NTSB CORRECTIVE ACTION

On October 26, 1999, we met with Chairman Hall and senior NTSB staff to discuss our audit results and preliminary investigative findings. On November 8, 1999, we issued an audit report to the NTSB that recommended NTSB discontinue the use of the Rapidraft System and instead use the Governmentwide commercial purchase card program for its on-site investigative expenses and other purchases. We recommended that NTSB discontinue processing employee travel claims and instead use a Federal processor for reimbursement of travel claims to ensure that proper voucher examination is performed.

By letter dated November 5, 1999, we notified the NTSB of our preliminary investigative results. Subsequently, on March 21, 2000, we issued a final investigative report to the NTSB. Our investigative report supported the earlier recommendations of the audit and recommended that NTSB consider disciplinary action for employees as appropriate.

The NTSB generally concurred with our recommendations. By letter dated November 23, 1999, Chairman Hall responded that NTSB had discontinued the Rapidraft System and adopted the Governmentwide Citibank Purchase card Program in its place. The Chairman also reported that NTSB had commenced discussions with a private sector audit firm for assistance in identifying audit weaknesses and recommending procedures and resources for improved audit control. We were recently informed that such a contract has been executed and that an audit will begin in the near future.

On January 3, 2000, the NTSB appointed a new CFO. The new CFO was hired from the U.S. Treasury Department and has 35 years of Federal service in the field of financial management. We have met with the new CFO several times to review our audit and investigative results. He has identified and initiated specific actions necessary to implement our recommendations, but his efforts require the full support of the NTSB Board and senior staff if he is to succeed in reforming and improving the financial management of the NTSB.

NEED FOR INSTITUTIONAL OVERSIGHT WITHIN THE NTSB

To his credit, NTSB Chairman Hall promptly sought our assistance in this matter. It was necessary for the Chairman to seek outside assistance because the NTSB is without an Inspector General or an equivalent institutional oversight organization. The NTSB has historically relied on agreements with other Inspectors General or private sector firms for audit assistance. Outside oversight has included General Accounting Office audits and congressional oversight exercised through the authorizing and appropriations process.

There is no full-time oversight of NTSB. Our work with respect to the Rapidraft System was carried out in accordance with an August 31, 1999, Memorandum of Understanding (MOU) between our office and the NTSB. The MOU allows for our office to conduct investigations and audits at the request of the NTSB on a reimbursable basis. It does not provide authority for us to self-initiate audits or investigations as we do for the Department of Transportation, nor does it authorize, or create a responsibility for us to ascertain whether or not NTSB implemented the corrective actions discussed with us. As you are aware, such follow-up is critical to oversight. For example, as noted above, the GSA IG was not in a position to follow up on its 1992 audit results. If NTSB had been subject to some type of institutional oversight, it is possible that the 1992 audit would have resulted in real corrective action and the problems uncovered in 1999 may have been avoided.

Similarly, if the NTSB had an institutional oversight organization, the employees who reported irregularities to the CFO in January 1999 would have had an in-house channel to pursue when they did not see action on the part of the CFO in response to their reports of irregularities. At the Department of Transportation, we receive approximately 600 telephone calls, letters, and E-mail messages a year reporting suspected fraud, waste and abuse within the Department. Our fraud, waste and abuse Hotline offers employees confidentiality or the opportunity to provide information anonymously. Reports to our Hotline receive independent attention from our staff and are also shared with the Department management. For management, they serve as a useful source of information about programs and operations in the Department that, at a minimum, require management attention. The NTSB does not have a vehicle similar to our Hotline to ensure an independent review of suspected fraud, waste and abuse.

"The National Transportation Safety Board Amendments Act of 1999," (H.R.2910) was passed by the House on October 1, 1999. The legislation reauthorizes the NTSB and also contains provisions that address Inspector General oversight at the NTSB. The bill provides that the Inspector General at the Department of Transportation will carry out Inspector General responsibilities only with respect to the financial management and business operations of the NTSB. While we did not seek this additional responsibility, we concur that our audit and investigation concerning the NTSB's Rapidraft System strongly suggests that some type of institutional oversight is appropriate. The Senate is considering similar provisions as part of its reauthorization legislation for the NTSB.

Mr. Chairman, this concludes our testimony. I would be happy to answer any questions you may have.

Mr. SUNUNU. Welcome, Mr. Hall. We're pleased to hear your testimony.

STATEMENT OF JAMES E. HALL

Mr. HALL. Thank you very much, Mr. Chairman, Congressman Bentsen, members of the committee.

I was invited to appear before you today regarding the National Transportation Safety Board's request for an audit and investigation by the Department of Transportation's Inspector General regarding financial discrepancies found during an August 1999 document reconciliation in preparation for our end-of-year financial closeout. I have brought with me today our Managing Director, Dan Campbell; our General Counsel, Ron Battocchi; and our Chief Financial Officer, Mitch Levine, who will be available to be responsive to any questions the committee may have as well.

Before I begin, permit me, Mr. Chairman, to spend just a few moments on the NTSB and its mission. Since Congress created it as an independent agency in 1967, the Safety Board has served as the eyes and ears of the American people at more than 100,000 aviation accidents and thousands of surface transportation accidents. Over time, it has become one of the Board's premiere accident investigation agencies. In fact, it is only one of nine independent investigative organizations in the world.

Perhaps more importantly, as part of our investigations we make safety recommendations that we hope will prevent similar accidents from recurring. In its 33-year history, the Board has issued almost 11,000 recommendations in all transportation modes to more than 1,250 recipients. In 1990, we began compiling the "most wanted list" that highlights some of what we considered to be our most important but not yet implemented recommendations and covers concerns such as data recorders in all transport vehicles, aircraft icing, fuel tank flammability and human fatigue.

It is important to note that, because the Board does not have regulatory or enforcement powers, we rely on our reputation for impartiality and thoroughness to get our recommendations implemented. To date, more than 80 percent have been adopted. Many safety features currently incorporated into airplanes, automobiles, trains, pipelines and marine vessels have had their genesis in Safety Board recommendations; and over the years Board recommendations on ground proximity warning systems, windshear, crew resource management, railroad passenger safety, drunk driving, seat belts, child safety seats, graduated licensing and emergency response to hazardous material substances have been implemented. At an annual cost of less than 20 cents a citizen, the 400-member Safety Board I believe is one of the best investments this Congress makes.

My testimony submitted for the record details the series of events that led up to the August 1999 discovery. Today, I would like to focus on what actions have occurred since I requested Mr. Mead's assistance.

I would, however, like to emphasize several facts. NTSB staff discovered the discrepancies and notified me of the findings. Because I was concerned about this compromise to our agency's financial integrity and our reputation, I immediately requested the Department of Transportation Inspector General to perform an audit and criminal investigation to determine if our concerns were valid and whether there were any additional problems even though, as previously mentioned, the IG had no jurisdiction over the agency. The NTSB staff and leadership cooperated fully throughout the IG's audit and investigation. We were already taking corrective actions before the IG completed their work, and we kept our appropriating and authorizing committees fully informed throughout the investigation.

I asked the IG to look at three areas during their audit and investigation. Was there criminal conduct by any NTSB employee? Were there systemic problems with the Rapidraft program? And were there sufficient financial controls for small purchases?

Mr. Mead and his staff responded to my request quickly and very effectively. He sent a full team of auditors and investigators who devoted 3 months to the audit and 7 months to the investigation. The IG's audit did conclude that there were weaknesses in our internal controls and that existing controls were not followed.

The report made three recommendations: to discontinue the Rapidraft Payment System immediately; to implement an approved payment program to meet NTSB's needs; and, third, to ensure that the Chief Financial Officer's Office develops and implements comprehensive internal controls.

I terminated the Rapidraft system even before I received the IG's preliminary report in October 1999, based on an oral briefing from the Inspector General and his staff. Following that report, we took a series of additional actions. I placed the Chief Financial Officer on administrative leave. In January 2000, I hired a new Chief Financial Officer, Mr. Mitch Levine who is with us today, who has 35 years of Federal financial management service.

We are currently recruiting to fill vacancies in accounting operations and system accounting. We implemented governmentwide commercial credit card programs for travel expenses and small purchases. Travel vouchers and purchase card bills are now paid through the Treasury Department Disbursing Centers.

And we selected an independent audit firm, PriceWaterhouseCoopers, which began work yesterday to develop a program for comprehensive financial integrity. As part of their audit, they will conduct a closeout review of the Rapidraft Payment System; document NTSB's financial management processes and systems; perform a baseline analysis of existing financial policies, procedures and systems; test internal controls; develop internal control recommendations; and assess our audit readiness.

We received the Inspector General's investigative report on March 21st. It did not find any additional criminal activity beyond that already found by the NTSB. It concluded that the two previously identified employees had embezzled about \$95,000. Both employees have left the NTSB. I have been advised that one has been indicted by a grand jury and the other is pleading guilty for criminal acts involving embezzlement and that restitution to the American people will be sought.

Let me close, Mr. Chairman and members of this committee, by saying to you that I take this situation very seriously, and it is the most deeply troubling experience I have had in all my years of public service. It has unduly impugned the reputation of this agency and its dedicated employees.

This has been an especially difficult time for the Board's employees, and it has been a distraction from our mission. As you may know, while we have been managing this event, we have had to deal with both the Egyptair and Alaska Air investigations.

We are taking, Mr. Chairman, every action necessary to ensure that these deficiencies are rectified and procedures are put in place to ensure that they do not recur. I give my this committee my pledge that will be done.

Now, I fully support independent oversight of the Board's operations on a regular basis. In fact, that concerned me most when I became chairman of this agency, and I was trying to move in the that direction at the time these events occurred.

I want to publicly express my appreciation to Mr. Mead and his staff, and to thank them for assisting us in this task.

Mr. Chairman, I appreciate your attention and the attention and time the committee staff and you and the members have given me. That completes my statement.

Mr. SUNUNU. Thank you very much, Chairman Hall. I appreciate your statement and its candor and certainly want to invite Mr. Levine and Mr. Campbell to assist you as we go through the questioning process with any details that might be helpful.

[The prepared statement of Mr. Hall follows:]

PREPARED STATEMENT OF JIM HALL, CHAIRMAN, NATIONAL TRANSPORTATION SAFETY BOARD

Good morning, Chairman Sununu and Members of the Task Force. I was invited to appear before you today regarding an audit and an investigation that the National Transportation Safety Board (NTSB) requested from the Department of Transportation's Inspector General (IG). In August 1999, as the NTSB's staff was engaged in reconciling documents to close our books for the fiscal year, financial discrepancies were found and brought to my attention. I promptly called Inspector General Mead and asked for a full and independent investigation.

Before turning to the circumstances of that request, I would like to put the problems we discovered in our program for Rapidraft payments program in context. I became Chairman of NTSB in October 1994, and inherited a financial accounting system and organization that had been in place for many years and had not been modernized with automated information capabilities. Weaknesses in its utility for budgeting purposes were apparent, and after preparation of budgets for 1996, I asked senior managers at NTSB to rethink our finance and budget process to make recommendations to improve our performance. Staff reviewed the provisions of the Chief Financial Officer Act, which, although it does not apply by its own terms to a small agency such as NTSB, appeared to reflect a "best practice" approach to financial operations. As a consequence of this review, in February 1997, I requested the Department of Treasury's Financial Management Service (FMS) to do a top-to-bottom evaluation of the finance accounting system that had been in place at NTSB for more than a decade. The cost for this service was \$55,000, not insignificant for NTSB, but we believed that modernization was critical.

NTSB received FMS's initial report in June 1997. The report found that the existing accounting system was insufficient to support modernized accounting practices. It recommended that we acquire a new accounting system. We contracted again with FMS for assistance in selection of such a system. This resulted in the purchase of an off-the-shelf, Joint-Financial-Management-Improvement-Program (JFMIP) compliant accounting program. The FMS report also recommended that we target October 1, 1998, as the date for changeover to a new system. We met that date, and began use of an entirely new, modern system for fiscal year 1999. Achieving this target placed a substantial workload on the accounting staff, but we believed it was a critical first step in permitting us to achieve a clean audit opinion on NTSB's financial statements. The goal of a clean audit was a key recommendation of FMS and is a central concept embodied in the Chief Financial Officer Act. I wholeheartedly agreed with this approach.

I concurrently elevated the organizational structure of the comptroller's function to independent office status, headed for the first time by a Senior Executive level official, also as recommended by the FMS report and the Chief Financial Officer Act. And we undertook intensive training of administrative staff in the program offices, in order to use the new accounting system to its full potential. We knew that the total process of modernization and information integration would take several years. However, by the middle of 1999, we were in the midst of a substantial revision in our financial processes, with the goal of meeting financial accounting practices at a level not yet, even today, required of us.

DISCOVERY OF EMBEZZLEMENT

From April 1989 until August 1999, Safety Board offices used what was for a time a governmentwide, GSA-approved Rapidraft payment system. Rapidraft is a service offered by a commercial vendor that enables a government employee to write checks to pay for goods and services. NTSB Board Order 46A, issued in October 1990, established the Rapidraft program for payment of small purchases, travel advances, travel expenses, training registration, and other services. Proper reconciliation of accounts within the program was a shared function between program offices and the financial specialists within what is now organized as the Office of Chief Financial Officer (CFO). In August 1999, during reviews to prepare for the fiscal year-end closeout, a highway safety program officer asked for assistance from the CFO office in reconciling records discrepancies concerning a particular Rapidraft payment. That meeting triggered further analysis, and the subsequent review identified suspect behavior on the part of two NTSB employees concerning possible embezzlement. Approximately \$95,000 appeared to be at issue.

NTSB'S REQUEST TO IG FOR AUDIT AND INVESTIGATION

NTSB has traditionally used the services of outside, independent auditors to assess financial management issues. In this instance, I asked DOT IG if it would conduct an audit and a criminal inquiry. The IG does not have jurisdiction over the NTSB. However, NTSB has the authority to use the services of other Federal agencies and has used the services of other IGs in the past. We were in the process of finalizing a new voluntary audit agreement with the DOT IG when the discrepancies were uncovered. We believed that an IG, with the ability to simultaneously pursue a financial audit and a criminal investigation, was especially well suited to assist us. Consequently, we broadened the scope of our pending agreement to include criminal investigations and requested the DOT IG commence an immediate two-pronged review of the problem we had uncovered. Staff and management were instructed to cooperate fully with the work of the IG. NTSB (with DOT IG participation) briefed its Congressional authorizing and appropriating committees on the problems identified and the initiation of work by the DOT IG. The concerns shared with the Inspector General were:

- Was there criminal conduct by any NTSB employee? (criminal investigation)
- Were there systemic problems with the Rapidraft program? (audit)
- Are there sufficient financial controls for small purchases? (audit)

The IG completed its audit work and briefed top NTSB management on its results on October 26, 1999, and their final report was delivered on November 8, 1999. In addition, the IG periodically shared information on the progress of their criminal investigation, and delivered the results of that investigation on March 21, 2000.

IG AUDIT AND INVESTIGATION REPORT RECOMMENDATIONS

The IG's audit report concluded that there were weaknesses in internal controls, and that existing controls were not followed. The report made the following three recommendations:

1. Discontinue use of the Rapidraft Payment System immediately.
2. Implement an approved payment program to meet NTSB needs, specifically for:
 - On-site investigative expenses, office supplies, computer equipment, tuition and training payments, and other similar expenses, NTSB should use the Government-wide Commercial Purchase Card Program.
 - And, travel-related reimbursements, NTSB should use the same organization that currently provides their payroll services (FAA) or another Federal processor.
3. Ensure that the CFO's office develops and implements comprehensive internal controls over these programs.

The IG investigative report concluded that there was criminal activity on the part of the two employees that were originally referred by the NTSB.¹ No other embezzlements were uncovered by the IG. Criminal enforcement is ongoing and restitution will be pursued. In addition, the report recommended administrative action be considered for certain irregularities concerning use of agency e-mail, and that NTSB ensure proper procedures for the acquisition of small purchases, the payment of performance bonuses only within the payroll process, and adherence to government regulations regarding the use of frequent flyer mileage upgrades.

NTSB ACTIONS TAKEN AND PLANNED

In September 1999, NTSB terminated the Rapidraft Payment System. After receiving the October 26 briefing on this subject, the then incumbent CFO was placed on administrative leave. In January 2000, a new CFO with 35 years of Federal financial management service was hired. Recruitments are underway to fill additional vacancies in accounting operations and system accounting. After the new CFO familiarized himself with the circumstances of DOT IG's work, a series of briefings were undertaken with NTSB's authorizing and appropriating committees of Congress concerning the results of the IG's work and our responses. The NTSB has initiated implementation of all the IG Audit Report's recommendations.

1. Rapidraft Payment System has been canceled.
2. Governmentwide commercial credit card programs have been implemented for travel expenses and small purchases. Travel vouchers and purchase card bills are being paid through Treasury Department Disbursing Centers.

¹ Both employees identified by NTSB resigned from the agency prior to investigation by DOT IG and the Federal Bureau of Investigation.

3. An independent audit firm (PriceWaterhouseCoopers) has been selected to develop a program for comprehensive financial integrity.² PriceWaterhouseCoopers will perform the following tasks:

- Conduct a closeout review of the Rapidraft Payment System;
- Document NTSB's financial management processes and systems;
- Perform a baseline analysis of existing financial policies, procedures and systems;
- Test internal controls;
- Develop internal control recommendations; and
- Assess audit readiness.

As I noted, the IG's report on the investigation was received at the Board on March 21, 2000, and we are currently preparing an action plan that will address all stated recommendations. As a result of the IG's work, we understand that one of the two clerical employees originally referred to the IG by NTSB has been indicted, and the other is pleading guilty for criminal acts involving embezzlement.

I would like to close by indicating NTSB's appreciation for the work of Ken Mead and members of his staff. This has obviously been a difficult time for NTSB, but as an institution we strongly favor having the ability to resort to independent, expert assistance as a means of quality assurance and improved performance. We would like to thank the DOT IG for providing that service to us in this case. Mr. Chairman, that completes my statement and I will be happy to respond to questions.

Mr. SUNUNU. I would like to begin the questioning by discussing the 1997 Treasury FMS recommendations and the changes that were recommended as part of that process. And also I know there were some controls, control changes recommended as part of the Inspector General's audit. Could I ask you to talk about those changes? Specifically, has the new system for financial control been implemented, what elements are in place and working, and what elements are yet to be implemented?

Mr. HALL. I think the person with the most knowledge to respond to that is our CFO, Mr. Levine.

Mr. LEVINE. This is history, Mr. Chairman, so I am looking back at a time when I wasn't at the Board. The Board selected the new accounting system based on work done by the Center for Applied Financial Management, which is a Treasury entity that they brought in to look at their old financial system. They concluded that in order to comply with most of the government regulations dealing with financial management and the plethora of laws that have been enacted by the Congress, we needed to move to an integrated financial management system that was approved by the Joint Financial Management Improvement Program and certified by the General Services Administration.

NTSB selected a system with an assistance from the same consulting group from Treasury. A system was selected. The vendor is ICF Kaiser, it is called FINASST. That system recently was again recertified through independent testing by the Joint Financial Management Improvement Program as a system that complies with the core financial requirements that are set by JFMIP and GSA.

Mr. SUNUNU. If I may, you are not required, though, by law to comply with the Chief Financial Officer's Act, is that correct?

Mr. LEVINE. I have to defer to the Chief Counsel or the Managing Director on that.

Mr. HALL. No, we are not.

² A copy of the PriceWaterhouseCoopers proposal, and the Board's acceptance letter, were provided to the Committee. PriceWaterhouseCoopers began their audit activity on April 12, 2000, and we expect the review to take about 4 months.

Mr. SUNUNU. I don't believe that is the case.

So, to be clear, you are setting—as a set of compliance standards you are using the Joint Financial Management Improvement Program. Are you required to meet that standard by law or that is the one that you chose as a best practice model?

Mr. CAMPBELL. There are elements within it that we would be required to meet. We intend to meet all the elements, because we do see it as a best practice approach.

Mr. SUNUNU. And have all of the elements been implemented to date that enable you to meet those standards? And, if not, what system needs to be implemented to meet the standards you have established for yourselves?

Mr. LEVINE. The system is the accounting system of record, and was the accounting system of record for all of fiscal 1999. It is the system we are using to account for the fiscal year 2000 appropriation. It meets all the accounting standards. Where we find it lacking is we need to better improve the financial management information reporting capabilities of the system. I look at it as a powerful data warehouse, but somehow we don't have a key to opening all the doors.

Basically, we can do the obligation accounting, the expenditure accounting, all the things required to make Treasury reporting, but we do not have all the capabilities we need to provide information to the executives and the managers of the NTSB to manage their resources as effectively as they could.

Mr. SUNUNU. Have you set a time line for achieving those goals of providing the Board with executive financial management information?

Mr. LEVINE. This year we are working with our vendor to develop scripted management reports that we can put on the desktops of our managers so they can click on an icon and get the kind of management information they need.

We are working with the different managers and the administrative officers to determine what is needed. In other words, we are not just pushing it, we are trying to work with them as if they are customers, which they are.

Through the remainder of FY 2000 and into FY 2001, we plan to invest about \$100,000 to \$150,000 more for necessary system enhancements. We are also hiring an additional systems accountant to help us roll this out.

Mr. SUNUNU. Let me ask you specifically about the disbursement system that is, I hope, fully in place fully now to replace the Rapid-draft system. You have gone to a commercial credit card system, is that correct, the governmentwide credit card system?

Mr. LEVINE. Yes, the Board, long before I got here, implemented both the Citibank travel card and the Citibank purchase card programs. We have issued more than 350 travel cards to our investigators and employees who travel. We have also issued over 100 purchase cards to our investigators and others with procurement responsibilities.

Mr. SUNUNU. Do you have documentation requirements that are more formal than what was used in the past? And are you performing—I should ask, how frequently are you performing reconciliation on those credit card accounts?

Mr. LEVINE. The personal travel cards are like your own personal card. When Chairman Hall or Dan Campbell travel, or whatever, the price of the airline ticket is put on the card through our approved travel agency. All travel expenses are placed on the card. When we return, we file a travel voucher. That travel voucher comes to the CFO organization and is reviewed and processed.

I am concerned because I don't believe the review is sufficient. One of the things that Ken Mead reported in his audit report was that we needed to look to a third-party processor. We are in negotiations with the Department of Veterans' Affairs to implement a travel voucher processing system where they will review and pay our vouchers and conduct post audits.

My intent is to also have DVA perform a post audit on a sample of FY 2000 vouchers.

Mr. SUNUNU. Mr. Mead, I want to ask you a couple of questions about the Rapidraft system in general before opening it up to Mr. Bentsen for questions. Could you talk a little bit about the degree to which the Rapidraft system was used in other departments within agencies within the Department of Transportation, the volume of Rapidrafts that were previously used by the FAA, for example, prior to canceling their program?

Mr. MEAD. Yes. The FAA this past year spent about \$14 million using a like system.

Mr. SUNUNU. Conceptually, at least, the subcontractor—third-party subcontractor—was the same Gelco, and the contractual limitations, \$2,500 maximum and authorization number requirements were similar, is that correct?

Mr. MEAD. Yes. But the fact is, we went in and audited the FAA system in 1997. Although we found no embezzlements, we did find weaknesses that were remarkably comparable to the ones that we found at NTSB, unauthorized signatures and so forth. And we recommended that—at the time, that FAA tighten up that program.

We could understand how there might be exigent circumstances or emergencies where you needed it. I don't think that they fully responded to the recommendations. As a result of the experience at NTSB and that prior audit work that program must be terminated.

The Volpe Center is in Massachusetts, the research center. They, too, were using the like system, as was the Federal Highway Administration.

Mr. SUNUNU. Now, there are 10 other Federal departments or agencies that are using a similar third-party payment system through the same subcontractor; and another six we have identified that are using a different third-party draft system. I understand that you don't know all of the limitations associated with each of the contracts, but I do want to ask you a general question which is, do you believe that the weaknesses you have identified in the nature of a third-party check writing system, in particular the system that was used through this subcontractor, do you think those weaknesses are likely to exist at other agencies—Department of Education, Department of Energy, Immigration? Do you think it is in the interest of the committee at least to raise your concerns about the weaknesses of the system with these other agencies?

Mr. MEAD. Yes, I would. I would be surprised if you didn't find weaknesses, at least to some degree. And here is why: When you

just talk NTSB, which is a small agency cashing approximately 8,000 checks a year worth about \$4 million, it is a very paper-intensive system. And when you have holes that turn up where there is no reconciliation, where checks are being paid and nobody is even signing the check, where there is no payee, where there is no purpose on the check, you have to have a very rigorous oversight system to make sure that a check writing program, is going to be airtight. And that is tough. In fact, that is why the Federal Government moved to credit cards. It is much tighter accounting system.

Mr. SUNUNU. Thank you.

One final question for Chairman Hall, and that is—and Mr. Levine as well—as you move through this credit card system, have you found that there is anything unique regarding the NTSB's critical mission that in certain cases might make the commercial or government credit card system impractical and do you think there may be situations in some of these other agencies that would somehow prevent them from ever implementing a government credit card system if they chose?

Mr. HALL. I am not aware of any. My answer would be no.

Mr. SUNUNU. Thank you.

Mr. Bentsen.

Mr. BENTSEN. Thank you, Mr. Chairman.

Let me say, first of all, Mr. Mead, with respect to the chairman's most—his line of questioning there that, on its face, I think the credit card system clearly works better than a Rapidraft. And it is an antiquated type structure to use and does raise the potential, if not for abuse, the potential for sloppy recordkeeping, if nothing else.

I have yet in my experience in the private sector or the public sector found an expense reimbursement system that has been smooth and clean. I know in my old banking days we always wondered whether the company was carrying us or we were carrying the company. I am sure that is sometimes the case here as well.

That being said, obviously the system has some problems; and I do have a number of questions. Let me go to the chairman's last question, though.

Mr. Hall, I can see certainly in most cases where you are buying an airline ticket, charging a hotel room, that the credit card system works pretty well. In fact, in some cases you couldn't do it without a credit card. But are there instances that you could explain to us in the—where in the case of NTSB, which is a somewhat unique agency, where a credit card system might not work? I don't think we want to have Federal employees walking around with a pocketful of cash, but there are cases where you are on the ground that you have to have something a little more liquid than a credit card.

Mr. HALL. Well, I might ask Mr. Campbell to comment on this as well. He has more years of experience than I do in this area, Congressman.

In the aviation area, our investigators operate sort of the highway patrol of the skies. Every time there is a fatal aviation accident, we have an investigator there. They have to take charge of that wreckage. They have to be responsible for assisting with the wreckage removal, with the engine tear downs, other things that

are routinely done as part of the investigation. Obviously, to be able to pay for those things is very important.

On major accident investigations, it is hard to anticipate in advance things that you may be called upon to do.

The credit card system, to my knowledge, so far has served us fairly well.

Mr. Levine wanted to comment. Somebody over was there was rustling.

Mr. LEVINE. Congressman Bentsen, the credit card contract permits the use of convenience checks to handle situations where credit cards are not accepted by a vendor.

Convenience checks are set up for unique situations. Let me give you some examples. Convenience checks are limited to investigators in charge at an investigation, and a handful of others.

NTSB often has to take custody of wreckage or equipment and often needs to buy services from the local economy. For example, the local police department may moonlight and be willing to provide protection of that material overnight. Last I heard, off-duty policemen don't take credit cards. The convenience check program is one way we can handle that.

It is also possible for our people to get cash advances from their travel card from an ATM machine. They can take these funds and then seek reimbursement through proper channels when they come back to their duty station.

So there are a few cases where the credit card just doesn't work, and the contract with Citibank which GSA negotiated for all of government does provide for that. We have limited the utilization of the convenience checks, and very few of them have been used. We have very bright people doing this work. They know how to get it done.

Mr. BENTSEN. Let me ask just a few other questions. With respect to the Financial Management Service Review in 1997, there were a number of recommendations in that report. Some included adding budget officers and staff, implementing new systems technology for management—for financial management. The agency didn't follow through on all those. Were there budgetary reasons related to that? In the scheme of your agency that you all go from one emergency to the next emergency?

Mr. HALL. The last 10 years almost any mode of transportation in the United States doubled. As a result, there has been a tremendous impact on the work of our agency and the number of employees we need to accomplish our mission at a time when everyone else in Washington is basically downsizing.

I have requested every year I have been chairman more people in my budget. And our committees of Congress normally, usually over the objection of the Office of Management and Budget, have assisted us in getting more people. In retrospect, we took most of those additional people and placed them in investigative positions in order to accomplish the mission. And I did not, at the same time, put enough people in our accounting and budget office to perform the mission of the additional amount of money that we were using.

We will have additional employees in the new fiscal year. Many times, I find those employees are tied by OMB or Congress to specific slots. I have difficulty getting money to fund accountants. I am

going to take the first people we get and be sure that we have enough people to be responsible stewards of the money we are given.

So that is a long answer of saying I think, yes, we have had some difficulties in being able to accomplish everything that we wanted to do because of manpower limitations.

Mr. MEAD. My I offer a perspective on that?

I think in this case, as in the case in many situations in government and private industry, the leadership and stewardship of the people you have in place is critical. And here, as is illustrated by the experience with the Rapidraft system, there were plenty of early warning signs given directly to the Chief Financial Officer. And they were not acted on. And I think with the new leadership in place, that you should see a strong improvement.

Mr. BENTSEN. This reminds me a little bit of graduate school. This is going to be a great case study some time.

Mr. Mead, two things. One is, as I understand it, H.R. 2910, the NTSB reauthorization that passed last year now does give you authority to look at NTSB?

Mr. MEAD. Yes, sir, on rather nonjudgmental financial management areas only. And I think it would be inappropriate to have the Inspector General for the Department of Transportation in a position to second guess programmatic judgments or investigative judgments of the NTSB. So, yes, that is in the bill. It has passed. It hasn't moved through the Senate yet, and we are prepared to do it if the Congress wants us to, but we don't want authority into the programmatic areas.

Mr. BENTSEN. So you want to limit it to the financial scope.

Mr. MEAD. Keep it clean, rules and regulations, internal controls that reasonable people can agree upon and you can empirically audit.

Mr. BENTSEN. That would solve that part of the problem in your testimony.

Mr. MEAD. Yes, it would.

Mr. BENTSEN. In your investigation and in the investigation that was carried out that Justice is now involved in with the two individuals that have been indicted, is the loss to the government, the taxpayers, the fraud or theft limited to the two payments, the \$90,000? Did you find any overpayment of a contractor? Or was it a case of inefficient bookkeeping, recordkeeping, questionable use of using the Rapidraft Payment System for paying accounts that probably should have been paid out of another vouchering system? Or have you found a situation where there might be other, higher dollar misuse of funds?

And I know there is a difference of agreement with respect to Board orders in 1992 and 1995 as to what areas are covered, and we could get into that debate. But I guess my question is, bottom line, other than lax controls and using the Rapidraft system for vouchers that other systems should have been used for, did you find other cases where Acme Trucking Corp. was paid more money than it should have been paid or anything like that?

Mr. MEAD. We do not know of any embezzlements other than the one that we have reported to you. I would be surprised if there were not other instances of abuse of this system, but they would

be very difficult to track down. Why? Well, when nobody signs the check and it is paid or there is no purpose and no documentation underlying it, it is difficult to tell what the purpose was for or whether it was for a legitimate expense.

I think the fair answer to your question is that the vast majority of these checks were probably written by upstanding people for legitimate purposes. Where there were weaknesses was in internal controls and so forth, and sloppiness. But I can't vouch that we have uncovered all the abuse in this program.

Mr. BENTSEN. I assume the PriceWaterhouseCoopers audit should show some of that.

You raised one issue that I hadn't thought about, and my time is up, but the way this system works is there is a contractor who is the bank account holder on behalf of the agency, and the check is written and passed through them. But they cleared checks without a signature?

Mr. MEAD. Yes, sir. Do you see this package here? When we went to NTSB when Chairman Hall said come on in here and investigate and audit, we said, let's see the checks. And my auditors picked up unopened packages of checks that had been sent to NTSB's Chief Financial Officer unopened, bundles of them. Well, under the contract—

Mr. BENTSEN. Canceled checks.

Mr. MEAD. Oh, yes. These are all paid, and it was never opened by anybody, so there was never any reconciliation done. And under the terms of the contract with the vendor, at least our reading of it, NTSB had 45 days to tell them don't pay this check. But since there was no reconciliation or review, that just wasn't done. And now the 45-day period that NTSB did have to assert a claim has expired.

Mr. SUNUNU. If Mr. Bentsen would—thank you, Mr. Bentsen.

So that point—we have a check here that is displayed on our far right that gets to the point that you raise, which is a check that was cleared by the third-party contractor and it has no authorizing signature on it whatsoever. And there is a 45-day period where there might be a response but clearly there were significant problems with both internal controls not performing reconciliation but with the controls and the process used by the third-party contractors.

I would like to ask unanimous consent that all members be allowed to revise and extend their remarks and also ask unanimous consent that we include in the record a list of other departments or agencies that are using this third-party contractor. Without objection.

[The information referred to follows:]

LIST OF FEDERAL DEPARTMENTS OR AGENCIES THAT GELCO PROVIDES THIRD-PARTY
DRAFT SERVICES TO

African Development Foundation
U.S. Department of Treasury—Bureau of Engraving & Printing
Federal Aviation Administration
Immigration & Naturalization Service
Internal Revenue Service
U.S. Department of Treasury

U.S. Mint
 Office of Thrift Supervision
 Federal Highway Administration
 Internal Revenue Service—Southeast
 U.S. Department of Energy
 U.S. Department of Energy—Oak Ridge
 U.S. Department of Education
 U.S. Department of Transportation—Volpe

Mr. SUNUNU. I recognize Mr. Miller for 5 minutes.

Mr. MILLER. Rapidrafts, often in the private sector known as voucher systems, meet accountability standards when they are used properly and they are reviewed properly, so I don't want to get the focus off the Rapidraft, saying that is the problem. That is not the problem. But when you have checks written to Myriad Investments and the intent of those checks, as you said, Mr. Mead, are supposed to be used for accident and nonaccident purposes. A flag should have come up to somebody that you don't pay it.

When a check comes to Gelco with no signature, the fact is it should not have been paid. When a check comes to Gelco—and please put one of the ones up that exceed \$2,500—exceeding \$2,500, the fact is the check should not be paid. Period.

Now, there is not any question that there was some corruption internally. But I don't think there is any doubt that there is incompetence on the part of Gelco if you look what has happened and transpired. If you go to the Gelco contract, it is very specific. Gelco Payment System and the National Transportation Board agree to notify each other immediately of any misuse of the Rapidraft authorization—Rapidraft orders.

Now a certain amount of those were done. Many were not, based on the investigation.

Also, Gelco's payment system assumes responsibility for the face value of Rapidraft orders which fail to properly screen or be rejected. And if you look at their daily draft processing and standard violation systems, these checks did not comply with the criteria necessary to process those checks.

Travel cards are going to be no better than Rapidrafts if oversight does not occur. I have done dozens of loans when I was in the building industry with lending institutions that we used voucher systems or Rapidrafts, and they work if done properly, without a doubt.

And I don't want to get off the focus of Rapidrafts, saying that is our problem here and we are going to stop using Rapidrafts and when we stop using Rapidrafts the problems go away. That is not true. And there are certain Rapidrafts or vouchers or payments that are going to continue into the future that are going to be made to vendors, am I not correct? Nobody in their right mind is going to use their travel card to pay those. So they are still going to be paid.

And that is where the problem lies. And the shift to using a travel card does not deal with the problem.

Gelco did not do their job. They were incompetent. And there was corruption on the part of staff, without a doubt. And we don't know how widespread that corruption was, and we don't know how widespread this is here. So you have a checks and balances system.

In fact, Al Gore praised this system in one of his statements, saying this is how we reinvent government. We have taken care of it because we installed the checks and balance system that, if used properly, works.

And in your testimony—Mr. Mead, you stated, contrary to NTSB policy, drafts were paid when they exceeded the \$2,500 limits. It was printed on the check that these Rapidrafts should not exceed that amount. Why did Gelco honor these checks?

Mr. MEAD. I can't respond to that.

Mr. MILLER. That is what I thought.

Mr. MEAD. The \$2,500 is an NTSB order, and it was in the agreement with the contractor. But employees internal to NTSB wrote letters to Gelco saying for these employees, honor the checks over \$2,500 all the way up to, in one case, \$20,000. In another case, under the contract with the contractor, NTSB committed to notify the contractor whenever somebody left and was no longer an authorized user. They did not do so. Then employees internal to NTSB would sign somebody else's name who had been an authorized user. Gelco pays the check. So—

Mr. MILLER. The largest checks that were cashed were to J.D. Rainbolt Contractors—one for \$7,500 one for \$16,000, one for \$20,000, one for \$5,000, one for \$26,000, one for \$13,000—were by a former employee, not even employed at the time when he wrote them. I mean, it is more than Rapidrafts. It is internal incompetence on the part of the government and on the part of the agency that is supposed to be supervising the payment of these.

It says clearly \$2,500. And if you put one of the checks up, that shows \$2,500 crossed off by the person signing the check, and it was paid.

I guess I have a question. Is Gelco being held accountable for paying these? Are they being prosecuted right now? Can anybody answer that?

Mr. MEAD. No, not to my knowledge.

Mr. MILLER. Why not? I have a contract right here signed by William Park, signed by—I can't read the other name—but one by Gelco, and one by part the government, that specifies what they are to do. It specifies accountability. It specifies the process to go through. This is not new. This has been known.

In fact, one thing that really bothers me is, when I go to the history of events—and this is for Mr. Hall. You became aware of this in August of last year. Yet on September 23 we did a markup of your authorization bill, and you came before us as a committee. You never mentioned it. And on September 30, the bill was passed on the House floor, and you never mentioned it. And yet you knew about this problem in August.

Now, trust me, we have always voted for this stuff. Based on statements made before us on May, 1999, that you never refuted when you found out they were incorrect, one is, I know nothing that has caused me any concern.

In addition, Mr. Keller notified—he was a financial officer. He was a problem. "Eighty percent of our budget is dedicated to the people, so there is not a whole lot of flexibility as far as abuse or fraud or whatever that can take place," was stated. And also the

statement was made, "The most important job you have given me is responsibility for handling taxpayer's money."

And, Mr. Hall, you gave me the courtesy of coming by my office yesterday, and you told me that you had notified everybody when you found out about this, and I took that at face value. I am not trying to criticize you. But when I look back, because I was responsible for voting for your authorization last year, you knew about it a month before we voice voted it out of committee. You never brought it up. And it went out unanimously on the floor. You never brought it up. Why not?

Mr. HALL. At the time that I learned of this, I notified Mr. Mead and attempted to follow every piece of advice Mr. Mead gave me, including when to advise our committees, because we were dealing with an ongoing criminal investigation. At the time that Mr. Mead said we should go and meet with committee staff and advise them of this matter, we did so. So that is the reason.

On the matter of those checks, I would like to have a chance to check those and respond for the record in terms of who signed those checks and their status at the time they were signed.

Mr. MILLER. I don't have time. We do have those checks. But I do have the sequence of events as they unfolded. We have to break.

Mr. SUNUNU. I appreciate it, Mr. Miller. We will allow Chairman Hall to make that response for the record.

[The information referred to follows:]

CHAIRMAN HALL'S RESPONSE FOR THE RECORD REGARDING "WHO SIGNED THOSE CHECKS AND THEIR STATUS AT THE TIME THEY WERE SIGNED"

The checks referred to that exceeded \$2,500 were signed by Mr. Don Libera, currently the NTSB's Deputy Chief Financial Officer. At the time he signed the checks, he was the agency's Budget Officer. Mr. Libera had specific written authority from the Chief Financial Officer, which also was provided to Gelco, to write checks in excess of the \$2,500 limit. Because all of the checks were preprinted with the "NTE \$2,500 limit," Mr. Libera crossed through this note and initialed the checks he wrote that exceeded this limit. All of the checks written over the \$2,500 limit were to expedite payment for legitimate purposes and were paid to NTSB employees, primarily for travel-related expenses, or to vendors for supplies or services provided. It should be noted that when Gelco received a check over the \$2,500 limit, they would usually call appropriate Safety Board CFO personnel to verify authorization to override the established system limit.

Mr. SUNUNU. At this time, I would like to yield to Mr. Clement and make members aware that at the conclusion of Mr. Clement's questioning we will recess for this vote on the rule and return back promptly, at which time Mr. Miller will take the Chair to complete questioning from the remaining members.

Mr. Clement.

Mr. CLEMENT. I don't think I am going to have enough time, but I will at least start anyway.

Mr. Chairman, as you know, I serve on the House Transportation and Infrastructure Committee, the jurisdictional and oversight congressional committee for NTSB. I am acutely aware of the tremendous significance of the National Transportation Safety Board.

Under Chairman Hall's leadership, the NTSB has had to address some of the most challenging national transportation catastrophes on record. As a fellow Tennessean, I will say I am especially proud of Chairman Hall's commitment to excellence and public service.

Like other members here, I strongly believe that every level of the Federal Government should be held accountable for its actions. On behalf of American taxpayers, Chairman Hall has worked to make improvements in the deficient financial accounting system that he inherited from the previous administration in 1994. He has indeed worked on behalf of taxpayers by reversing NTSB practices that were mismanaged.

Mr. Hall—Chairman Hall, it is my understanding that NTSB does not have an IG of its own. You contacted the Department of Transportation's IG to come in and do an audit of the Rapidraft check system, payment system. You have also contracted with PriceWaterhouseCoopers to do an outside audit as well. Do you feel that it would be beneficial to the NTSB to have an internal IG instead of having to rely on DOT's IG?

Mr. HALL. I certainly would have no objection to an internal Inspector General in our agency.

I was told when I first inquired about an IG that our agency was too small to have a full-time Inspector General. I consulted with a number of people on getting that advice. But I think it is imperative that our agency in the future have an annual audit of all of our financial activities, and we are moving to do that.

Mr. CLEMENT. Mr. Mead, do you have any comment about the question I asked?

Mr. MEAD. Just a point of perspective. When a problem comes up like this, you need a critical mass to be able to deploy. I think you can make a case for an internal IG. I think you can make a case for having a Cabinet-level IG with the critical mass that can come in.

Mr. Hall and I have a very good professional and personal relationship, and I think that helps a great deal. You would have a problem if—you have a case like this come up—there is no way that NTSB could responsibly have a permanent IG staff of 10 or 15 people. And that is the only perspective I would have. If you want us to do it, we will do it. But please don't give us any responsibilities that go into the programmatic area or the investigative area. Keep it down to the financial management.

Mr. CLEMENT. I may have another question or two when we come back.

Mr. SUNUNU. We have approximately 4 minutes left in the vote. If you would like to ask one of your questions and you can resume questioning when we return.

Mr. CLEMENT. I will wait.

Mr. SUNUNU. We will recess at this time. We will reconvene as soon as we return from the vote. Thank you, gentlemen.

[Recess.]

Mr. MILLER [presiding]. I would like to correct one misstatement that I made on the checks that were in the individual larger amounts, the individual was still employed. But the comment was more directly to the Rapidrafts were not to be used for this type of purpose at this amount. And that was the issue.

Mr. Toomey, do you have questions?

Mr. TOOMEY. Is Mr. Clement finished?

Mr. CLEMENT. I am through. And I appreciate what you just said, Mr. Chairman; and Mr. Hall may want to comment.

Mr. HALL. No, that is fine.

Mr. CLEMENT. Thank you.

Mr. TOOMEY. I will be brief, but I did want to just get actually maybe both Mr. Mead and Mr. Hall to react to some thoughts.

First of all, if we look at the case of the Rapidraft payments that the IG reviewed, there were 1,000. And I take it there is no reason to believe that that is not a representative sampling. And when we consider that 90 percent of these had some kind of noncompliance, one kind or another, it suggests, obviously, a routine lack of regard for the rules of compliance. And I wonder if it doesn't reveal to some degree almost a culture of disrespect for certainly the rules of the reimbursement, the whole Rapidraft system, and I wonder how much more pervasive that culture would be of disregarding rules which are really rather important.

Now, I take it that your investigation focused more on discovering individual and systemic misuse rather than focusing on whether there was criminal intent or fraud that went with that. But I was wondering, Mr. Mead, if you could clarify that for me a little bit.

Mr. MEAD. I will try, yes, sir.

Inspector General offices are divided into two parts. One side is a criminal investigative, looking at quasi-criminal administrative violations that get an individual in serious trouble. The other side of an IG operation is audit, program evaluation, financial audit where you look at the effectiveness of the programs.

And in a case like this, what we had was criminal misconduct, and we suspected that from the beginning. But once we got in there and saw the type of criminal misconduct and how it was allowed to occur, the latter—the unauthorized people signing checks, the no-known purpose on them, the no payees, going over the limits, things of that nature—we began to see that there was an underlying vulnerability to this whole program. That triggered the audit side of our office which led to the broader audit, sir.

Mr. TOOMEY. But as for those broader audits, we had a system that we know was extremely vulnerable to abuse. Obviously, if you don't need to sign checks, you don't even need to write a payee and yet the check will be cashed. And yet there are only two cases of fraud and embezzlement that have been pursued on a criminal level. With such a high degree of noncompliance it strikes me there must be a whole lot more flaws that occurred that we don't know about certainly beyond those two cases. And that is—you know, I have no direct evidence of that, just by the sort of—intuitively seems quite likely. So one of my questions is, what do we do about that? What can be done?

Mr. CAMPBELL. If I may respond to that, Congressman, that is the first order of business with our contract with PriceWaterhouse-Coopers. We understood from the nature of the investigation that DOT IG did for us that they would not necessarily get to the universe of all the difficulties that they might see. And so the first order of business we have with the independent audit firm is to assess that problem for us and give us some advice on how to proceed. The agency has chosen to continue to pursue that issue.

Mr. TOOMEY. And specifically with respect to the checks that were cashed a year ago or 2 years ago with the old payments, are

they still being investigated or is that the kind of thing where that is being given up and we are trying to prevent repeat offenses?

Mr. CAMPBELL. No, sir we are looking at the past.

Mr. TOOMEY. In the inspection that you did do, the auditing and investigation work that you did, was most of the noncompliance that was cited about the handling of the Rapidraft system itself and fault in that process? Could you also tell me about to what extent do you believe that these items that were being paid for were purchasing things that either were not intended to be—you addressed those which were not intended to be used by the Rapidraft system—but what about items that shouldn't be bought at all that were being purchased? Any more thoughts on that?

Mr. MEAD. Yes, there is clearly some instances of those where you don't really know what the payment was for. You see the check behind you to American Express. That is one where nobody signed. But even if it was signed, the question occurs, well, what about American Express? Why were you writing checks to American Express? What was it for? And there are a lot in that category. A large number.

Mr. CAMPBELL. If I could expand on that. The actual Gelco book that you write checks from has a check at the top and a series of additional documents that—additional parts of the document that need to be filled out. What we will attempt to do is take some of the difficult, the problematic checks and marry them back up with their underlying documents which themselves need to be accompanied by the obligating form.

The check is not actually permission to obligate money. The check is just a way of making the payment. Each check needs to be accompanied either by a training form, a travel voucher, a 4400 for purchases and so forth.

So there is an opportunity to go back and look at these checks and ask yourself, one, do we have the documents—of course, the ones we don't have the documents for would then by themselves be particularly suspicious. But if we have the documents you can review the document to give you some sense of what the underlying purchase was about and make a determination about whether it was for an authorized purpose or not. And that is our intention.

Mr. TOOMEY. So that is ongoing, that investigation.

Well, finally, just my last question for the Chairman, are you concerned that there may be within the Board a sort of culture of disrespect for internal rules and procedures, a sort of lax attitude that has been revealed by this whole discovery that might pervade both the institution and into other areas other than just the finances?

Mr. HALL. Congressman, I have a great deal of respect for all of my employees. Setting the culture of the agency is the responsibility of the management of the agency. I can assign that responsibility, but I must accept that accountability. In this case, the individual that was responsible was not enforcing the type of culture that should be in place.

We are going to, as Mr. Campbell said, look at each and all of these transactions. That is one of the things we have asked Price-WaterhouseCoopers to do. But, you know, my employee base there does an outstanding job, in my opinion, performing their mission.

And a part of their mission and part of their time was supposed to be given and needed to be more directed toward a proper accounting of these funds, and so we are going to put an emphasis on that. If we had a cultural problem, we are going to change that cultural problem.

I don't know how else to comment on it. I don't choose to be in this position. The employees in the agency work very hard in their job. It is the responsibility of management to lay down that culture and direction for them. In this area we have not been as successful as I would like. We have had this embarrassing situation, and I intend to do everything we can if there is a problem to be sure it is effectively addressed.

Mr. MEAD. I think, just from the observations of my own auditors and investigators, there was a culture of looseness at the top in the Chief Financial Officer's office. You didn't have an IG that every so often did visitations at the agency on a routine basis to make sure everything was honest. We found that, transcending the Rapidraft program, there were problems with the travel vouchers not being reviewed. The computer equipment frequently wasn't inventoried properly. The CFO should have made sure that employees got periodic ethics training. And these things just were not happening.

And I, too, know a number of NTSB employees and have the highest respect for them. But I do think you have to look at that CFO for a great deal of leadership. And I don't believe the Board, Mr. Hall or NTSB was being well served, sir.

Mr. TOOMEY. Thank you, Mr. Chairman. I yield the balance of my time.

Mr. MILLER. Chairman Hall, a couple of questions I need to ask you, just to clear up some confusion. Under Federal reg 31 CFR 208, which is under the management of the Federal Agency Disbursement Act—can you hear me?

Mr. HALL. I was having a little difficulty.

Mr. MILLER [continuing]. Which implements the Debt Collection Improvement Act of 1996, requires the authority of the Secretary of Treasury to grant waivers of all Federal payments made after January 1, 1999, when it must be made by electronic fund transfer. And 31 CFR 208 permits nonelectronic payment for national security interest, military operations, national disasters, law enforcement, amounts less than \$25, certain payments in foreign countries or in emergencies or, "mission-critical circumstances that are of such an unusual and compelling urgency that the government would otherwise be seriously injured."

Based on that, under what circumstance did NTSB qualify for a waiver of 31 CFR 208 to continue using the Rapidrafts after January 1, 1999?

Mr. CAMPBELL. Congressman, I don't believe that NTSB qualified for a waiver under those provisions. And I don't believe that we had a waiver under those provisions. I think that the program for the Chief Financial Officer, who is, unfortunately, not here to answer this question, was to make a transition to the purchase card program and the travel card program which we have implemented now as of about September of 1999. And during the period between

January 1 and September, I have personally asked this question and——

Mr. MILLER. So you are confirming they should not even have been using Rapidrafts after January 1.

Mr. CAMPBELL. It is my understanding that we should have gone to electronic transfer.

Mr. MILLER. We need to ask this, because that issue has come up and we didn't have clarification. The confusion I had—there was an ongoing problem with a system that shouldn't even have been in existence.

Mr. CAMPBELL. There would have been a class of transactions which would have met the exemption standards, particularly those in the field where the actions are—making an electronic funds transfer at an accident scene may have been difficult, but there was another whole class of transactions which probably would not have met the waiver requirement.

Mr. MILLER. Probably the last question I can think of is—we ran out of colleagues here—is part of the Rapidraft Payment System NTSB maintained \$350,000 in a non-interest-bearing account with Gelco Information Network Inc. Have you made any effort to get that money back at this time?

Mr. LEVINE. We are, right now, trying to get that money back. There are a couple of issues on float and miscellaneous charges that my people are trying to reconstruct, but they have been in contact with Gelco. That is money that was put in deposit, I believe, as far back as 1989. It is basically to cover the float. We have been in contact with them, and I have been assured that that is being expedited.

Mr. MILLER. Well, Mr. Hall, you have been very courteous and kind and forthright, and Mr. Mead, also. I appreciate the input.

We were told that other members are coming, but we are going to go check. We will not delay you any longer than you have to. Is there any final comment you would like to make?

Mr. HALL. No, sir.

Mr. MILLER. If somebody doesn't show up in the next 5 seconds, we will thank you graciously for being here today. Our comments were not an attack. I hope they were not taken as such. They were not meant to be.

Mr. Knollenberg, I have been informed, will be here within 60 seconds, so I will have to wax eloquently for the next 60 seconds.

This is probably not the best of times—with Egyptair, what is ongoing right now? We just had a hearing in Transportation on that issue. It is not the best of times to be here.

I know your focus is on issues very important to us, very important to commuters. I think you are doing an excellent job in that area. It is a shame that a situation like this has to occur. I know you are a man who probably takes this very personal because you are the top. It is not meant to be personal.

From our perspective, it is just an issue that was believed should have been discussed publicly, and it sounds like just the process we have taken has changed some other agencies from the direction they have gone in using these, trying to come up with more of an accountable system. It sounds like and it appears like the individual now you have put in charge of CFO is going to be a thumbs-

on individual and he is going to make sure something like this never occurs in the future, and I am glad to see that.

But your agency does an excellent job, and this hearing is not in any way intended to impugn the quality of work you do. Because you do top-quality work. We are not—that is not the goal. It is more accountability. And I know that you have taken many steps to create accountability, and we thank you for that. And, again, I want to say there was nothing personal in the questions that had to be asked. I think we are all glad they probably were, and we can move forward when Mr. Knollenberg shows up to ask his final questions.

Mr. CLEMENT. Mr. Chairman how do you stay physically in shape and be mentally alert? That is what I would like——

Mr. MILLER. You keep me in line. I try very hard, sir.

Why don't we talk a break for just a minute or so for Mr. Knollenberg? We will adjourn the meeting after that.

[Recess.]

Mr. MILLER. We are going to reconvene the meeting.

Mr. Knollenberg has walked in. He has 20 seconds worth of questions left, because he has used up 40 minutes and 40 seconds already.

Mr. KNOLLENBERG. Well, I apologize for being late. Three places at the same time doesn't work.

Let me again welcome everybody, and I appreciate your being here. I am sure I might touch on a question that has been handled before, and if it has just mention that. Mr. Chairman, you obviously may want to reflect on that, too.

Simple question, and I will get right to the heart, it was how many Rapidrafts exceeded 5,000?

Mr. LEVINE. \$5,000 or \$2,500, sir?

Mr. KNOLLENBERG. I am sorry. Your question was what again?

Mr. MILLER. How many exceeded 2,500?

Mr. LEVINE. I sorted it——

Mr. KNOLLENBERG. I am asking how many exceeded 5,000.

Mr. LEVINE [continuing]. I have a list. And the only reason I asked for clarification, sir, is my list tells me we issued about 169 that were over \$2,500. I will have to go back to that list and to get you an answer. If I could provide that for the record, I will.

Mr. MEAD. I have the answer here, so you won't have to do that. There were 70 Rapidrafts totalling \$708,000 written for amounts between 5,000 and 28,000.

Mr. KNOLLENBERG. That is fine. What was the maximum Rapidraft limit authorized for any user?

Mr. MEAD. Under the Board order, the limit was \$2,500.

Mr. KNOLLENBERG. Who were the persons primarily involved in writing the over-limit checks?

Mr. MEAD. Mr. Libera, who was a Deputy Chief Financial Officer, and Mr. Mills, who was an Accounting Officer. And I should note that administratively they wrote or their supervisors wrote to the vendor Gelco and said please authorize these people to write checks over \$2,500. The NTSB Board never approved that.

Mr. KNOLLENBERG. Another quick question, for what purposes—and this is probably general, but what purposes were the checks written for and what was the total dollar value?

Mr. HALL. We have Mr. Libera here.

Mr. KNOLLENBERG. That question has been raised before. I am not trying to duplicate. If you can't do it quickly, would you do it for the record?

Mr. HALL. Be glad to do it for the record. Yes, sir.
[The information referred to follows:]

RAPIDRAFTS OVER \$2500

[Fiscal Years 1997–1999]

No.	FY	Last Name	First Name	Cleared Date	Check Number	Amount	Pay to	Purpose
1	1997	Libera Jr	Donald P.	80697	020001231–9	\$2,644.67	North American Van Lines	Invoice
2	1997	Libera Jr	Donald P.	81597	020001237–3	\$4,703.21	Shane Lack	Travel Voucher
3	1997	Libera Jr	Donald P.	81897	020001236–4	\$3,717.55	Robert Benzon	Travel Voucher
4	1997	Libera Jr	Donald P.	82697	020001245–4	\$5,137.89	Robert Hilldrup	Travel Voucher
5	1997	Libera Jr	Donald P.	82997	020019002–4	\$4,896.93	Ronald Schlede	Travel Voucher
6	1997	Libera Jr	Donald P.	90297	020019003–3	\$3,807.48	Alfred Dickinson	Travel Voucher
7	1997	Libera Jr	Donald P.	90497	020001234–6	\$3,560.19	Dennis Jones	Travel Voucher
8	1997	Libera Jr	Donald P.	90897	020019011–4	\$8,709.96	Ronald Schlede	Travel Voucher
9	1997	Libera Jr	Donald P.	90897	020019008–7	\$3,819.24	Ronald Wentworth	Travel Voucher
10	1997	Libera Jr	Donald P.	90897	020019006–9	\$3,176.26	Cynthia Keegan	Travel Voucher
11	1997	Libera Jr	Donald P.	90997	020019005–1	\$3,153.58	Deepak Joshi	Travel Voucher
12	1997	Libera Jr	Donald P.	91097	020001249–9	\$10,729.59	Robert Francis	Travel Voucher
13	1997	Libera Jr	Donald P.	91097	020019007–8	\$3,395.38	George Black	Travel Voucher
14	1997	Libera Jr	Donald P.	91097	020019009–6	\$2,508.58	Gordon Hookey	Travel Voucher
15	1997	Libera Jr	Donald P.	91297	020019001–5	\$3,930.20	Keith D. Holloway	Travel Voucher
16	1997	Libera Jr	Donald P.	91297	020019010–5	\$2,689.92	Gregory J. Phillips	Travel Voucher
17	1997	Libera Jr	Donald P.	91597	020019014–1	\$3,815.76	Paul Schlamm	Travel Voucher
18	1997	Libera Jr	Donald P.	91897	020019015–9	\$2,950.35	Matthew M. Furman	Travel Voucher
19	1997	Libera Jr	Donald P.	92297	020019025–8	\$2,852.08	James Skeen	Travel Voucher
20	1997	Libera Jr	Donald P.	92997	020019052–8	\$10,162.68	Robert Benzon	Reimbursement
21	1997	Libera Jr	Donald P.	92997	020019018–6	\$4,744.42	James R. Jeglum	Travel Voucher
22	1997	Libera Jr	Donald P.	92997	020019017–7	\$2,890.73	Malcolm Brenner	Travel Voucher
23	1998	Libera Jr	Donald P.	10898	020019283–2	\$3,166.52	Richard J. Wentworth	Travel Voucher
24	1998	Libera Jr	Donald P.	11498	020019282–3	\$2,871.61	Matthew M. Furman	Travel Voucher
25	1998	Libera Jr	Donald P.	12198	020019286–8	\$4,596.76	Linda A. Jones	Travel Voucher
26	1998	Libera Jr	Donald P.	12698	020019289–5	\$6,106.39	Richard J. Wentworth	Travel Voucher–Prehearing Prep
27	1998	Libera Jr	Donald P.	12698	020019288–6	\$6,045.76	Ronald Schlede	Travel Voucher–Prehearing Prep
28	1998	Libera Jr	Donald P.	12898	020019287–7	\$5,194.33	John Goglia	Travel Voucher
29	1998	Libera Jr	Donald P.	20498	020019290–4	\$3,509.67	Robert McGuire	Travel Voucher
30	1998	Libera Jr	Donald P.	20598	020019292–2	\$6,183.51	Robert Hilldrup	Travel Voucher
31	1998	Libera Jr	Donald P.	20698	020019293–1	\$5,442.72	Cynthia Keegan	Travel Voucher
32	1998	Libera Jr	Donald P.	20698	020019291–3	\$4,897.93	Robert Francis	Travel Voucher
33	1998	Libera Jr	Donald P.	20998	020019295–8	\$4,696.18	Jamie Finch	Travel Voucher
34	1998	Libera Jr	Donald P.	21798	020019296–7	\$3,000.20	Robert Macintosh Jr.	Travel Voucher
35	1998	Libera Jr	Donald P.	22098	020019303–9	\$6,513.41	Robert Macintosh Jr.	Travel Voucher–Silk Air
36	1998	Libera Jr	Donald P.	22398	020019302–1	\$7,714.14	Greg Phillips	Travel Voucher
37	1998	Libera Jr	Donald P.	22398	020019299–4	\$4,473.88	Malcolm Brenner	Travel Voucher
38	1998	Libera Jr	Donald P.	22498	020019301–2	\$6,297.40	Scott Warren	Travel Voucher
39	1998	Libera Jr	Donald P.	22598	020019297–6	\$2,938.00	Richard Parker	Travel Voucher
40	1998	Libera Jr	Donald P.	31098	020019309–3	\$6,692.20	Barry Sweedler	Travel Voucher
41	1998	Libera Jr	Donald P.	31198	020019307–5	\$3,411.66	Robert Francis	Travel Voucher
42	1998	Libera Jr	Donald P.	31198	020019306–6	\$3,288.47	Deborah Smith	Travel Voucher
43	1998	Libera Jr	Donald P.	31298	020019308–4	\$2,602.25	Denise Daniels	Travel Voucher

RAPIDRAFTS OVER \$2500—Continued

[Fiscal Years 1997–1999]

No.	FY	Last Name	First Name	Cleared Date	Check Number	Amount	Pay to	Purpose
44	1998	Libera Jr	Donald P.	32598	020019312–9	\$5,233.23	James Hall	Travel Voucher
45	1998	Libera Jr	Donald P.	32798	020019310–2	\$4,403.19	Jerome Trachette	Travel Voucher
46	1998	Libera Jr	Donald P.	40198	020019311–1	\$3,548.83	Paul Weston	Travel Voucher
47	1998	Libera Jr	Donald P.	40998	020019317–4	\$5,326.21	Thomas Haueter	Travel Voucher
48	1998	Libera Jr	Donald P.	40998	020019314–7	\$5,237.61	Deborah Smith	Travel Voucher
49	1998	Libera Jr	Donald P.	41398	020019319–2	\$6,260.06	Robert Hilldrup	Travel Voucher
50	1998	Libera Jr	Donald P.	41398	020019316–5	\$4,918.46	John Goglia	Travel Voucher
51	1998	Libera Jr	Donald P.	41498	020019320–1	\$3,175.35	Thomas Conroy	Travel Voucher
52	1998	Libera Jr	Donald P.	41798	020019322–8	\$4,655.14	Gregory A. Feith	Travel Voucher
53	1998	Libera Jr	Donald P.	42098	020019326–4	\$9,157.86	Robert Francis	Travel Voucher
54	1998	Libera Jr	Donald P.	42798	020019321–9	\$5,272.43	Evan Byrne	Travel Voucher
55	1998	Libera Jr	Donald P.	42898	020019329–1	\$6,785.50	Scott Warren	Travel Voucher
56	1998	Libera Jr	Donald P.	42998	020019327–3	\$4,387.70	James Pericola	Travel Voucher
57	1998	Libera Jr	Donald P.	43098	020019332–7	\$6,881.87	James Hall	Travel Voucher
58	1998	Libera Jr	Donald P.	50898	020019331–8	\$5,317.69	Gregory Salottolo	Travel Voucher
59	1998	Libera Jr	Donald P.	51398	020019335–4	\$5,644.60	Robert Francis	Travel Voucher
60	1998	Libera Jr	Donald P.	51398	020019333–6	\$3,395.27	Ronald Robinson	Travel Voucher
61	1998	Libera Jr	Donald P.	60998	020019337–2	\$6,473.44	Gregory Feith	Travel Voucher
62	1998	Libera Jr	Donald P.	61598	020019340–8	\$2,839.83	Robert Francis	Travel Voucher
63	1998	Libera Jr	Donald P.	62298	020019341–7	\$5,000.00	Gregory Feith	Advance for Travel
64	1998	Libera Jr	Donald P.	62998	020019342–6	\$3,597.08	Gordon Hookey	Travel Voucher
65	1998	Libera Jr	Donald P.	81398	020019345–3	\$6,309.77	James Hall	Travel Voucher
66	1998	Libera Jr	Donald P.	100197	020019057–3	\$8,816.11	Gary K. Abe	Travel Voucher
67	1998	Libera Jr	Donald P.	100297	020019059–1	\$14,466.36	Gregory Feith	Travel Voucher
68	1998	Libera Jr	Donald P.	100397	020019058–2	\$2,995.47	Gary K. Abe	Travel Voucher
69	1998	Libera Jr	Donald P.	100797	020019062–7	\$3,156.32	American Express	Airfare RE
70	1998	Libera Jr	Donald P.	100797	020019064–5	\$2,694.00	Rivy Cole	Travel Voucher
71	1998	Libera Jr	Donald P.	100897	020019063–6	\$4,830.44	Peter Goelz	Reimbursement
72	1998	Libera Jr	Donald P.	100997	020019066–3	\$6,476.75	Woodfield Suites	employee accommodations
73	1998	Libera Jr	Donald P.	101097	020019056–4	\$4,089.87	Richard parker	Travel Voucher
74	1998	Libera Jr	Donald P.	101497	020019068–1	\$2,822.63	Gregory Feith	Travel Voucher
75	1998	Libera Jr	Donald P.	102297	020019074–4	\$4,089.87	Richard B. Parker	Travel Voucher
76	1998	Libera Jr	Donald P.	102497	020019252–6	\$8,904.04	Lawrence D. Roman	Travel Voucher
77	1998	Libera Jr	Donald P.	102797	020019255–3	\$2,709.00	Barry Sweedler	Travel Voucher
78	1998	Libera Jr	Donald P.	110697	020019258–9	\$5,516.21	Robert m. Macintosh	Travel Voucher
79	1998	Libera Jr	Donald P.	110797	020019259–8	\$3,269.50	Linda Jones	Travel Voucher
80	1998	Libera Jr	Donald P.	111297	020019260–7	\$2,516.60	Richard J. Wentworth	Travel Voucher
81	1998	Libera Jr	Donald P.	111897	020019263–4	\$5,386.47	Jim Hall	Travel Voucher
82	1998	Libera Jr	Donald P.	111897	020019261–6	\$2,723.47	Gregory Phillips	Travel Voucher
83	1998	Libera Jr	Donald P.	112497	020019264–3	\$5,176.33	Jamie Finch	Travel Voucher
84	1998	Libera Jr	Donald P.	120997	020019267–9	\$3,577.05	Dennis Grossi	Travel Voucher
85	1998	Libera Jr	Donald P.	121997	020019273–3	\$3,339.19	Jerome Frechette	Travel Voucher
86	1998	Libera Jr	Donald P.	122297	020019270–6	\$2,821.60	Robert Francis	Travel Voucher
87	1998	Libera Jr	Donald P.	122397	020019272–4	\$3,212.69	Paul Misenick	Travel Voucher
88	1998	Libera Jr	Donald P.	122697	020019280–5	\$3,789.36	Ronald Schlede	Travel Voucher
89	1998	Libera Jr	Donald P.	122997	020019271–5	\$2,699.65	Kenneth Egge	Travel Voucher
90	1998	Libera Jr	Donald P.	123197	020019278–7	\$2,738.41	Deborah Smith	Travel Voucher
91	1999	Libera Jr	Donald P.	040899	030400001	\$8,202.13	James E. Hall	Travel Voucher
92	1999	Libera Jr	Donald P.	112398	010030512	\$2,799.47	Tom Conroy	Travel Reimbursement
93	1998	Mills	William J.	81798	020033326–8	\$4,070.00	James V. Roberts	Travel Voucher
94	1998	Mills	William J.	81798	020033327–7	\$3,232.54	Michael T. Brown	Travel Voucher
95	1998	Mills	William J.	82898	020033328–6	\$2,979.07	George Black	Travel Voucher
96	1998	Mills	William J.	90298	020033330–4	\$3,003.80	Paul Alexander	Travel Voucher
97	1998	Mills	William J.	90998	020033331–3	\$4,435.76	Paul Misenick	Travel Voucher
98	1998	Mills	William J.	91198	020033332–2	\$2,780.02	Dennis L. Jones	Travel Voucher
99	1998	Mills	William J.	92298	020033337–6	\$4,693.43	Alfred Dickinson	Travel Voucher

RAPIDRAFTS OVER \$2500—Continued

[Fiscal Years 1997–1999]

No.	FY	Last Name	First Name	Cleared Date	Check Number	Amount	Pay to	Purpose
100	1999	Mills	William J.	020599	020033362	\$6,474.24	Robert Francis	Travel Voucher
101	1999	Mills	William J.	031799	020033365	\$2,980.77	Deepak Joshi	Travel Voucher
102	1999	Mills	William J.	100898	020033343	\$3,902.65	Paul Misenick	Travel Voucher
103	1999	Mills	William J.	101398	020033350	\$2,737.00	James Hall	Travel Voucher
104	1999	Mills	William J.	101498	020033345	\$2,576.77	Ronald Schlede	Travel Voucher
105	1999	Mills	William J.	101998	020033347	\$4,720.01	Robert Francis	Travel Voucher
106	1999	Mills	William J.	102298	020033351	\$4,571.66	John Goglia	Travel Voucher
107	1999	Mills	William J.	102798	020033352	\$3,025.17	Deepak Joshi	Travel Voucher
108	1999	Mills	William J.	111998	020033353	\$2,783.64	James Hall	Travel Voucher
109	1999	Mills	William J.	112598	020033357	\$2,934.07	Dave Tew	Travel Voucher
110	1999	Mills	William J.	112598	020033356	\$3,381.28	Dave Tew	Travel Voucher
111	1999	Mills	William J.	120998	020033360	\$3,962.12	Robert Francis	Travel Voucher
112	1999	Mills	William J.	121198	020033358	\$2,530.54	Paul D. Weston	Travel Voucher
113	1999	Mills	William J.	122198	020033361	\$2,583.54	James Hall	Travel Voucher
114	1999	Mills	William J.	073099	020033372	\$3,154.17	James Hall	Travel Voucher
115	1997	Thomas	Laura J.	63097	020018153-7	\$2,604.10	American Express	Airfare RE
.....				.....	.....	\$515,396.10	TOTAL TRAVEL REIMBURSEMENT	115 DRAFTS
116	1996	Caldwell	Alice	100296	020005696-8	\$2,772.00	Training 2000 MITAGS	Registration
117	1997	Libera Jr	Donald P.	71897	020001230-1	\$14,907.13	Capital Hill Reporting	Invoice
118	1997	Libera Jr	Donald P.	80697	020001232-8	\$23,412.29	Jacksonville Hilton and Towers	Invoice
119	1997	Libera Jr	Donald P.	81897	020001240-9	\$17,000.00	John Davis	Attorney
120	1997	Libera Jr	Donald P.	81997	020001233-7	\$19,723.77	Metrocall	pager bill
121	1997	Libera Jr	Donald P.	81997	020001239-1	\$5,785.19	Tharpe Company	purchases
122	1997	Libera Jr	Donald P.	82097	020001238-2	\$12,705.00	Dupage Airport Authority	Invoice
123	1997	Libera Jr	Donald P.	82097	020001241-8	\$8,304.31	Proctor Electric	Invoice
124	1997	Libera Jr	Donald P.	82597	020001244-5	\$11,267.20	Paul Schlamm	service
125	1997	Libera Jr	Donald P.	82797	020001242-7	\$22,407.00	Tratech International	equipment
126	1997	Libera Jr	Donald P.	82797	020001243-6	\$3,982.17	Nelson Marketing	Invoice
127	1997	Libera Jr	Donald P.	90297	020001247-2	\$7,000.00	Office of Coroner, Washington Cty	HWY41
128	1997	Libera Jr	Donald P.	90897	020019004-2	\$4,530.46	MicroWarehouse	purchase
129	1997	Libera Jr	Donald P.	90897	020001246-3	\$4,500.00	Brave Audio visual, Inc.	Hearing
130	1997	Libera Jr	Donald P.	90997	020001248-1	\$8,721.15	Embassy Suites Hotel	Hearing rooms/ Audiovisual equip
131	1997	Libera Jr	Donald P.	91097	020001250-8	\$20,500.00	G.W. Hoch, Inc	Comm Ctr A/C
132	1997	Libera Jr	Donald P.	91097	020019012-3	\$20,000.00	J.D. Rainbolt	PO-5th FI renovation
133	1997	Libera Jr	Donald P.	91097	020019013-2	\$4,272.00	Spirit Telecommunications	Rewire 5th FI
134	1997	Libera Jr	Donald P.	91597	020019023-1	\$13,359.20	KEV Corporation	6th floor renovations
135	1997	Libera Jr	Donald P.	91597	020019022-2	\$7,000.00	System Safety Development	Accident Investigation Workshop
136	1997	Libera Jr	Donald P.	91797	020019021-3	\$13,000.00	Boeing Commercial Airplane group	Modifications to B-727
137	1997	Libera Jr	Donald P.	91997	020019024-9	\$20,000.00	J.D. Rainbolt	5th floor renovations
138	1997	Libera Jr	Donald P.	92297	020019051-9	\$13,357.00	KEV Corporation	6th floor renovations

RAPIDRAFTS OVER \$2500—Continued
[Fiscal Years 1997–1999]

No.	FY	Last Name	First Name	Cleared Date	Check Number	Amount	Pay to	Purpose
139	1997	Libera Jr	Donald P.	92997	020019053–7	\$2,800.00	Spirit Tele-communications	RE Installation 5th&6th
140	1997	Libera Jr	Donald P.	93097	020019054–6	\$2,918.16	GES Exposition Services	Oshkosh Exhibit
141	1998	Libera Jr	Donald P.	10798	020019281–4	\$3,996.64	Phillip Humnicky	Photograph TWA 800 Hearing in Baltimore
142	1998	Libera Jr	Donald P.	10898	020019284–1	\$3,875.00	Federal Construction contractors	Partition RM 6100 and paint
143	1998	Libera Jr	Donald P.	11498	020019285–9	\$9,459.00	Mitech Data Systems	NEC Laptops
144	1998	Libera Jr	Donald P.	21198	020019294–9	\$5,055.60	Southwestern Bell	Bill for TX Sept–Nov
145	1998	Libera Jr	Donald P.	22098	020019298–5	\$9,375.00	Federal Construction Contract	PO
146	1998	Libera Jr	Donald P.	30998	020019304–8	\$5,000.00	Donald H. Mershon, PHD	TWA 800
147	1998	Libera Jr	Donald P.	30998	020019305–7	\$3,690.00	Congressional Quarterly, Inc	PO
148	1998	Libera Jr	Donald P.	42798	020019324–6	\$2,900.00	DOD Joint Spectrum Center	Invoice
149	1998	Libera Jr	Donald P.	61198	020019338–1	\$5,794.70	Southwestern Bell	Bill for TX office
150	1998	Libera Jr	Donald P.	61198	020019339–9	\$2,678.70	Southwestern Bell	Bill for TX office April 98–May 98
151	1998	Libera Jr	Donald P.	90898	020019346–2	\$11,510.00	J&H Marsh & McLennan, Inc	Travel Insurance
152	1998	Libera Jr	Donald P.	93097	020019054–6	\$2,918.16	GES Exposition Services	Oshkosh Exhibit
153	1998	Libera Jr	Donald P.	100397	020019055–5	\$2,800.00	General Testing Laboratories	AZ accident, Testing of school bus windows
154	1998	Libera Jr	Donald P.	100697	020019061–8	\$17,400.00	Graduate School, USDA	Procurement Training
155	1998	Libera Jr	Donald P.	100697	020019065–4	\$10,000.00	KEV Corporation	6th Floor renovation
156	1998	Libera Jr	Donald P.	101797	020019067–2	\$24,461.00	J. D. Rainbolt	5th floor renovations
157	1998	Libera Jr	Donald P.	101797	020019071–7	\$6,739.75	Campbell Carpet Service	Install carpet/ GAPAF
158	1998	Libera Jr	Donald P.	101797	020019073–5	\$3,730.75	Spirit Tele-communications	install video cable/GAPAF
159	1998	Libera Jr	Donald P.	102097	020019072–6	\$28,532.25	Loew's L'Enfant Plaza	Board Meeting
160	1998	Libera Jr	Donald P.	102297	020019075–3	\$5,980.00	S.P. Bryant	Refinish furniture
161	1998	Libera Jr	Donald P.	102397	020019253–5	\$5,657.18	Capital Hill Reporting, Inc	Invoice
162	1998	Libera Jr	Donald P.	102397	020019070–8	\$3,278.50	Graebel Companies	contract movers/ supplies
163	1998	Libera Jr	Donald P.	102997	020019254–4	\$3,912.86	Oceaneering International	TWA 800
164	1998	Libera Jr	Donald P.	110697	020019256–2	\$12,000.00	KEV Corporation	6th Floor renovation
165	1998	Libera Jr	Donald P.	111097	020019262–5	\$16,403.80	KEV Corporation	6th floor renovations
166	1998	Libera Jr	Donald P.	111097	020019257–1	\$7,890.00	J.D. Rainbolt	5th renovations
167	1998	Libera Jr	Donald P.	112597	020019265–2	\$3,495.00	George Washington University	J. Finch CED program

RAPIDRAFTS OVER \$2500—Continued
[Fiscal Years 1997–1999]

No.	FY	Last Name	First Name	Cleared Date	Check Number	Amount	Pay to	Purpose
168	1998	Libera Jr	Donald P.	121897	020019276–9	\$3,714.50	American Relocation	TWA 800 Hearing Invoice
169	1998	Libera Jr	Donald P.	122497	020019275–1	\$3,910.00	American Relocation	Invoice
170	1998	Libera Jr	Donald P.	123197	020019279–6	\$20,917.41	Miami Airport Hilton & Towers	Invoice
171	1999	Libera Jr	Donald P.	012799	020019350	\$2,957.50	Susan T. Strahan, MD	Conduct Psych/Employment Examination
172	1999	Libera Jr	Donald P.	100598	020019348	\$11,076.00	Hyatt Regency Hotel	Speaker's Accommodations 26 Rooms
173	1999	Mills	William J.	101998	020033344	\$3,013.26	Elizabeth Cotham	Kinko Cop. Symp98
174	1997	Fenwick	Angela C.	21897	020006368–2	\$2,833.92	Digital Equipment Corp.	VAX Maintenance
175	1999	Patel	Seema	022699	020032545	\$2,826.00	RSPA Mike Moroney Center	Training Tuition
.....				.....	.....	\$554,006.51	TOTAL PURCHASES	60 DRAFTS
176	1999	Libera Jr	Donald P.	011999	020019349	\$3,719.56	Donna M. Seipler	Advance payment for amounts due
177	1998	Libera Jr	Donald P.	93098	020019347–1	\$4,000.00	William P. Fannon	Advance for salary
.....				.....	.....	\$7,719.56	TOTAL OTHER	1 DRAFT
.....				.....	.....	\$1,077,122.17	TOTAL OVER \$2500	177 DRAFTS

Mr. KNOLLENBERG. How many instances of split invoices are you aware of?

Mr. MEAD. We are aware of two.

Mr. KNOLLENBERG. Two.

Mr. MEAD. Two instances where purchases over \$2,500 were simply submitted to avoid the Federal regulations. There may be more, but these are the ones that turned up in our sample.

Mr. KNOLLENBERG. There were copies of all the checks that were made available. Five checks on one day to—there is five, I believe. They were made on the same day, as I remember. That is a little bit strange. Was that done obviously to conceal exceeding the 2,500 limit?

Mr. MEAD. Yes, well, what was happening here was you buy the same thing but to stay under the ceiling you simply write multiple checks that, added together, equal the purchase price.

Mr. KNOLLENBERG. One of these is Tratech. Another one, was it Skill—Skillcraft, I believe it was. I think there were five made in one day. That is kind of strange.

Mr. MEAD. One was for computers. I think the other was for training.

Mr. KNOLLENBERG. Mr. Chairman, how is my time here?

Mr. HALL. We will be glad for the record to get you whatever information the Board has on those five checks.

Mr. KNOLLENBERG. I appreciate that.

[The information referred to follows:]

RESPONSE FROM DIRECTOR HALL TO QUERY BY MR. KNOLLENBERG ABOUT SPECIFIC
SPLIT INVOICES

There were a total of four Rapidrafts that were involved in two split purchases with Tratech that were reported by the Inspector General in their investigative report.

There were two rapidrafts issued on February 5, 1998, for \$1,400 each to pay an invoice for \$2,800 that was dated February 4, 1998.

There were two rapidrafts issued on July 7, 1999, for \$2,047 and \$2,338 respectively to pay for one facsimile machine purchased on June 9, 1999, and 3 computers purchased on June 29, 1999.

With regard to the question concerning Skillcraft, our research did not yield any information.

Mr. KNOLLENBERG. What I found too disturbing, and I am sure this has been talked about previously, but what were these expenditures for? In the indications of the copied checks, the photocopies, there is nothing there to say it was for carpet purchase or furniture refinishing or payroll advances. There wasn't a lot of disclosure. And I think that it becomes clear that there must have been suspicion that it was beyond the scope of the authority and for purposes other than what would normally be covered in the cost of business. Would you agree with that?

Mr. MEAD. Yes, in general, I would.

Mr. KNOLLENBERG. And I presume that these people that have been involved with some of the accounting are no longer on the job or are being oversighted in a fashion that would tell you that there won't be anymore of this?

Mr. MEAD. The former Chief Financial Officer who was incumbent during all times pertinent to this inquiry has resigned. Mr. Levine down at the end of the table is his successor. He has 35 years of experience. I have confidence that he is going to serve the Chairman, the Board and NTSB well.

Mr. KNOLLENBERG. Thank you.

Just very quickly I will close with this: How did these authorized users obtain the Rapidrafts? Were they just about?

Mr. MEAD. Actually, the interesting thing, you think they would have to go in to the Chief Financial Officer and get them, but under the procedures they had set up you could call up the contractor and say, send me some checks, and he would send some checks.

Mr. KNOLLENBERG. We didn't use that in my business. I guess I was missing something. But that sounds like a pretty good deal do me.

Well, I think that I will just close with the assurance that I am looking for is that those who had access in such an open fashion to these checks no longer have that access. Can we say that there is 100 percent security on that?

Mr. HALL. Yes, sir. And we are bringing in an independent auditor. I would in a moment's notice bring the IG back in if I thought there was any difficulty. Mr. Levine has his orders, and his orders are if there is anything improper in any way that has been going on in the past is to change it and change it immediately.

Mr. KNOLLENBERG. Any talk about having an IG inside?

Mr. HALL. We did have that conversation, sir, while you were out of the room, but we would be glad to respond depending on—

Mr. KNOLLENBERG. I think that concludes my questions.

Thank you, gentlemen; and thank you, Mr. Chairman.

Mr. MILLER. Mr. Ryan and Mr. Sununu are headed back. I know Mr. Ryan has a few questions, so why don't we take a break for a few minutes until they arrive.

[Recess.]

Mr. SUNUNU [presiding]. In the interest of time, I am going to reconvene the hearing at this time.

We have one additional member that would like to ask questions. I hope he arrives in a timely way. I am confident he will.

I do have a few additional follow-up questions, and then we will try to adjourn the hearing in a timely way, because I know all of you gentlemen have important work to do.

Mr. Mead, we talked a little bit about other agencies that are currently using third-party systems, some with Gelco, that was a subcontractor to NTSB, some with other third-party draft systems. And some discussion was made that perhaps it would be appropriate to audit some of those systems.

My question for you is, given the experience of your investigators and auditors with the Rapidraft system at NTSB, what kind of an audit—what kind of a scope of an audit might you suggest that the committee seek in other agencies or departments where we might have questions about the nature of the program?

For example, I am asking your recommendations with regard to time period. Is it best to look at a broad period, 2 or 3 years, at a top-level audit? Should we look in depth at a month in the documentation, in the internal controls? What kind of guidance might you give this Task Force in making sound recommendations for looking at this system in other agencies?

Mr. MEAD. Well certainly we have a methodology that we know what questions to ask. And we know what answers you might get.

I would suggest that if you were to ask other agencies to do such an audit, you would go back at least one year and ask for a description of the internal controls and whether they were in place, and we could actually itemize those for you. For example, do people sign the checks, what are they for, so forth and so on.

I would also go back and ask for trend lines, say, going back about 4 or 5 years, about program usage so you could see the aberrations, if there were sharp aberrations, in program usage.

I would also want to know about the management that was in place at all pertinent times for the program going back, say, 5 years. And I say 5 years because Congress passed a law in 1995 or 1996 that phased these programs out and said you should go to electronic fund transfers only in emergencies and so forth should you be using these third party drafts. So 1995 really marked a demarcation point. I would not go back before then.

Mr. SUNUNU. Thank you.

Mr. Hall, what kind of internal communication have you utilized in trying to make employees aware as appropriate of the results of this audit and the concerns regarding financial controls and are employees making a best effort to understand those controls but also to abide by them?

Mr. HALL. Mr. Levine has presently underway a training program for all Board employees.

Mr. LEVINE. Mr. Chairman, on March 2, almost 2 months after my arrival, we began training managers and employees. We have a power point presentation that I personally give, and I also include our labor-management relations specialist.

We go over the events, we discuss the audit, we review the findings, and we go over the two credit card programs. We explain the dos and don'ts, and we explain management responsibilities.

The first one I gave was to the office directors. All of them are getting management reports. There is no such thing as privacy when you use a government credit card.

We have explained to them how to use it, what to look for. We also involved the labor-management relations people because there are cases of delinquent debt. But it is not debt owed to the government. It is debt owed by our employees who on their travel card have incurred charges and are not paying bills timely. That has labor-management relations implications as well. I have also briefed the employees of several offices.

Mr. SUNUNU. If I may, you mentioned delinquent credit cards. Is that a problem right now within NTSB? Do you have an approximate number or percentage of the cards issued that may be delinquent at this time?

Mr. LEVINE. Less than 10 percent at the last look. It has gotten better, actually.

Mr. SUNUNU. I should ask for your definition of delinquency.

Mr. LEVINE. Per Citibank's terms, it means they are over 60 days delinquent in paying their bill.

Mr. HALL. One of the other things I am trying to do is get a new travel agency, Congressman. What happens is that we end up with people getting things put on their card by hotels or because they changed plans because of sudden travel, and then it takes forever to get these items reimbursed. I have asked Mr. Levine to be very aggressive in that area, and we will be glad to provide you information on the record on the total amount.

Mr. SUNUNU. Thank you.

[The information referred to follows:]

REVIEW OF CITIBANK REPORT ON NTSB'S CREDIT CARD DELINQUENCIES

Citibank has issued 367 travel credit cards to our employees. A review of the latest Citibank report on delinquencies indicates that we have a 7 percent delinquency rate. Approximately 75 percent of the delinquencies are just 1 month overdue. NTSB management officials are working with employees to get their accounts current.

Mr. SUNUNU. Mr. Levine, how many employees have received a power point presentation and how many do you intend to present it to? I know that not—every single employee might not be an appropriate.

Mr. LEVINE. I have made a presentation to the top management and the officer directors of every major mode. I have also made a presentation to three of the smaller offices, and I have presentations scheduled right now for three more. The regional directors for aviation are coming in this May, and I am scheduled to present to them as well. That is our biggest mode and that is where a lot of the travel occurs. To date, I can't put a percentage on it, sir, but by office I have had three of the seven major offices.

Mr. SUNUNU. Will you have all seven completed by June?

Mr. LEVINE. Yes sir. That is what the chairman wants, and that is what I am going to do.

Mr. SUNUNU. I highly encourage to you do your best.

Mr. LEVINE. Appreciate your encouragement.

Mr. HALL. We are trying to move expeditiously, Congressman. As you may know, we have nine regional offices, stretching from Anchorage to Miami and covering the United States. I won't ensure that our new CFO gets to each one of those by June, but we have a priority right now in trying to brief our headquarters offices.

Mr. SUNUNU. I understand. Perhaps you can follow up just for the record the detail of that schedule and just so that the Task Force has a sense of coverage. Because I think there is a great value, even if it is a presentation at a fairly high level, so that employees really understand what kind of an effort is being made and also they understand the value of the oversight that has been provided in this case by the Inspector General.

Mr. LEVINE. Can I add one point of clarification, Mr. Chairman, that you may not be aware of?

Citibank basically requires us to give very specific training on the purchase card and the use of it before that card is issued. And I have to say that NTSB—and this occurred before I arrived—made sure that all employees who received that card had to receive that training as well. So there was training in addition to what I have given.

Mr. MEAD. I would like to, in the interest of full disclosure in light of the conversation with Mr. Miller earlier and NTSB on this credit card delinquency point, this is not just an issue with NTSB. We are dealing with it at the Department of Transportation, too. We had roughly \$3.6 million of delinquencies in the serious category a couple months ago; and the Assistant Secretary for Budget, the CFO, myself, the Deputy Secretary have all thought this is an area we need to pay attention to as well. Since February, we have had a marked reduction. We are down to \$2.9 million, but we still have a ways to go. So NTSB is not in this swimming pool all alone.

Mr. SUNUNU. I appreciate that clarification, Mr. Mead.

Mr. Levine, I certainly believe this is a question best addressed to you. Can you tell me, before the system that you have in place now, and perhaps the system that was or was not in place previously, how did you track property and equipment, not just furniture but, most importantly, electronic equipment, computers and information systems themselves?

Mr. LEVINE. I am not sure I have a good answer here, so I need to look over to my managing director and check.

Mr. CAMPBELL. The reason Mr. Levine is hesitating is that the inventory system is not within his control, and marrying up the inventory system and the financial system is one of the projects that we have under way.

Mr. SUNUNU. Once the FMS recommendations are implemented, will the inventory control system be part of the Mr. Levine's jurisdiction?

Mr. CAMPBELL. It will be part of the same data base. The way that the property system works now, when property is brought into the building, it is identified as NTSB property and tagged as such as it is in an inventory system. What we do not presently have is

a marrying between the acquisition document and the inventory document.

Mr. SUNUNU. I believe Mr. Levine gave a rough time line for completing the implementation of the goals set out by the FMS review and some of the additional goals of the Inspector General's recommendations of perhaps completing by the end of this year. My question for Chairman Hall is, given that time line, when do you expect to and when have you set a goal for having a clean audit completed?

Mr. HALL. I would hope we could have a clean audit at the end of fiscal year 2001. That is my goal. I want to do everything I can so that my successor at this agency doesn't experience the same situation I have. I think the best way to do that is to be sure that this agency annually can produce a clean audit. And now I have given Mr. Levine all these responsibilities, and I have got to get him some more people to help him perform his responsibilities.

Mr. CAMPBELL. If I might, Mr. Chairman, one of the issues that we have asked PriceWaterhouseCoopers to look at is the degree of readiness that we have for such an audit and to tell us what it is that we would necessarily have to do. Depending upon what they come back with in terms of readiness or the lack thereof, we will probably pick the earliest possible target date. If it could be this year, it is this year; if it is next year, it is next year.

But we have to have an independent auditor come to us and say these are the deficiencies and these are the needs within your existing system that will produce such a possibility. As I mentioned once before, the first order of business was to relook at the Gelco Rapidraft issue in terms of whether there is any continuing liability there; and the second order of business is to put us on the path for a clean audit.

Mr. SUNUNU. Thank you.

Mr. HALL. I know you read my testimony. That was where I was trying to head with the Treasury in 1997, 1998, because at that time I was told we couldn't get a clean audit without redoing our financial house. I am committed to that, and I hope it will happen very soon.

Mr. SUNUNU. Mr. Mead, the various responsive or the various remedial actions that NTSB has undertaken and outlined, are they responsive to the recommendations in your report? And I mean that in two ways.

One, of course, specifically, are you comfortable with what they have outlined and set for goals to respond to the results of your audit? More generally, are there any areas that are of concern for you that it would be difficult for them to achieve the goals of your report even if those remedial actions are implemented? In other words, are there objectives or problems that you see that—areas where we will need continued oversight in any agency? In other words, it is not just necessarily a problem with their inventory management system or reconciliation process, but they are just, in your opinion, going to continue to be problem areas?

Mr. MEAD. I would have to say that the termination of the Rapidraft program, the hiring of PriceWaterhouse, the installation of a new CFO and the broad front of actions that have been articulated as planned are responsive and should take care of the problem.

Now, there is a lot planned, and so the key is going to be in their implementation. You know, earlier—I think you were in the hearing room—Congressman Miller said, well, it is not just the Rapidraft that is the problem, it is a deeper issue. And he is right. Because if we don't deal with some of these other internal control issues such as reconciling payments you could have a recurrence of this sort of thing with credit cards. So I think their ship is headed in entirely the right direction. The key is going to lie in the implementation. And you are absolutely right. This is the type of situation you can find at almost any agency.

Mr. SUNUNU. Thank you.

Finally, I believe, as a result of this, it would be in our best interest to have you audit the system as it exists or was used in FAA and at the Volpe Center within the Department of Transportation. And I anticipate that we will be making a formal—as a full committee—formal recommendation to you to do just that.

Again, I appreciate all of your time.

I want to yield to Mr. Ryan for his question period, and then we will adjourn forthwith. Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman. I would like to ask unanimous consent that my opening statement be included in the record.

Mr. SUNUNU. Without objection.

Mr. RYAN. Thank you.

[The prepared statement of Mr. Ryan follows:]

PREPARED STATEMENT OF HON. PAUL RYAN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF WISCONSIN

Mr. Chairman, I am perplexed by the apparent financial mismanagement that has occurred over the last 18 years at the National Transportation Safety Board (NTSB). As I had the chance to read the Inspector General's report last night, I was shocked to find some of the ways that our tax dollars are being spent.

In 1982, the NTSB set up the Rapidraft Payment System to provide investigators with a mechanism to pay authorized expenses associated with on-site investigations. This system allowed NTSB investigators to write checks, up to a \$2,500 limit, for items such as tow trucks and crane rentals. The NTSB's Chief Financial Officer was put in charge of the system.

In 1999, the NTSB's Rapidraft Payment System came under investigation by the Inspector General of the Department of Transportation. The results of the Inspector General's report were startling. By the Inspector General's account, the Rapidraft Payment System was turned into the CFO's personal playground at the taxpayers expense. In a random sample of one thousand FY99 Rapidrafts, the Inspector General found 902 noncompliant drafts. That's over 90 percent of the drafts, with many of these checks exceeding the \$2,500 limit. Worse yet, the audit found that only 5 percent of the \$3.6 million in allocated funds were used in on-site accident investigations. The results of the audit found that Rapidrafts were being used for such non-compliant expenses as:

- \$731,000 for nonaccident related travel.
- \$410,000 for tuition for training.
- \$286,000 for nonaccident related equipment office supplies.
- More than 100 checks cashed at one DC liquor store.
- And the list goes on from there.

In 1992, a similar audit of the RPS was conducted by the General Services Administration. The GSA audit found that 92 percent of the Rapidrafts issued in the first 9 months of Fiscal Year 1991 were improperly used. The NTSB took no appropriate actions at or since that time.

All though the 1992 audit found significant weaknesses in the system's internal controls, they were not corrected. The Rapidraft Payment System may just as well have been called the Rapidraft Profligate System. The Inspector General found that 37 of the 177 authorized investigators that were approved to write these checks no longer work for the NTSB. Checks were paid without signatures, authorization

numbers or explanations. The CFO did not reconcile these checks to ensure payments were authorized.

Mr. Chairman, I think that any American citizen would find this kind of abuse offensive. Americans work hard for their money. As it is tax season, we are all reminded of the large portion that we pay in taxes every year. The average financial tax burden that the government imposes on an individual today is 33.5 percent of their income. In 1999, Americans worked from January 1st until May 3rd to pay off their taxes. That's over 4 months that Americans work just to pay their taxes.

Through the Inspector General's report of the NTSB, we are finding today that Americans worked hard to give entertainment money to NTSB workers. Americans worked hard to assign blank checks to former NTSB workers with no accountability. Americans have worked hard to provide computer upgrades to top NTSB officials to download questionable material. This is simply unacceptable.

How does such a system become so poorly managed? Why weren't these obvious problems fixed after the 1992 audit? What other government agencies are using this Rapidraft Payment System? How many tax dollars are being wasted in these agencies because of improper oversight of the RPS? These are all questions that I hope are answered today.

I do appreciate Inspector Meade and Chairman Hall for being here and testifying today. I also commend Chairman Hall for his willingness to request that Inspector General Meade audit the NTSB when he saw deficiencies in the system. I understand that an audit by the Inspector General was a voluntary move by Chairman Hall in response to widespread abuse of the financial accounting system.

Mr. Chairman, it has come to my attention that the Department of Transportation has recently called for the end of the RPS system—not only for the NTSB, but for all related DOT agencies. I am disappointed that it took a Congressional hearing to end the eighteen years of fraud and abuse. Government agencies like the NTSB should be implementing new payment programs that meet its needs with appropriate controls built in. It's time for an end to these kind of slush funds.

Weeding through government waste and abuse is serious business. For a government employee to waste taxpayers time is reprehensible, but for that employee to waste taxpayer's money is criminal. My staff and I take the responsibility of working for the American taxpayer very seriously. We work hard not to abuse the awesome power to which we have been entrusted. I expect nothing less from the NTSB, or any other government agency, than to hold them to that same standard.

Mr. RYAN. Mr. Hall, I would like to go back to the 1992 GSA audit. In 1992, the General Services Administration found serious deficiencies in the management of the Rapidraft Payment System, including a lack of supporting documentation, that Rapidrafts were issued without proper authorization and that travel advances made with Rapidrafts were sometimes used for nontravel purposes and used to circumvent proper payroll procedures. In fact, the GSA found that as many as 92 percent of the Rapidrafts issued for travel purposes were not in compliance with NTSB internal controls.

In response, the NTSB Comptroller identified specific solutions for correcting those deficiencies that the NTSB intended to implement.

This was 1992. I know you weren't there then, and I know the people are new. But GSA did an audit in 1992. Why did it take so long for you to take action? What happened in 1992 that NTSB didn't do anything to follow up on that audit and why was that the case?

Mr. HALL. Congressman, I want to be responsive to you and to this committee on all questions, but I must tell you, in all honesty, that I was not aware of that audit. My predecessor did not inform me of that. I was not aware of that audit until this whole matter came up in this year.

Mr. RYAN. Who on your staff would have been aware of the audit?

Mr. HALL. Mr. Keller, who is the individual that is no longer with us. I am sure there are other individuals. We could get that information for the record, but I don't know.

The office at that time was structured differently, sir. We had an Office of Administration, and the Accounting Office was under the Office of Administration. The Accounting Office reported to the head of that office, who then reported to the managing director, who reported to the chairman.

My concern, when I read the statute in Congress, was I was accountable. But there were three people in between me and the individual that was responsible for the proper accounting of the money. That was when I couldn't get good numbers. The second and third year I was there, I tried to move toward a reform of the system. [The information referred to follows:]

RESPONSE FROM DIRECTOR HALL TO QUERIES BY MR. RYAN ABOUT 1992
DEFICIENCIES

In 1992, GSA performed an audit for NTSB to evaluate the adequacy of administrative procedures and practices for travel at the agency. The audit found that: (1) travel advance documents were signed by officials with appropriate authority; (2) expense claims were within Federal limits; (3) required receipts were attached; (4) amounts claimed were accurate; and (5) travel vouchers were appropriately authorized and timely.

However, the audit found problems with travel advance accounts (NTSB no longer uses a travel advance system and has not for some time), including a failure by NTSB to undertake periodic reviews of travel accounts balances. The audit also found that investigators had written rapiddrafts to cover travel expenses, though investigator authority was limited to on-scene purchases. Rapiddrafts for travel reimbursements were to be written only by NTSB designated imprest fund cashiers. Additionally, it was found that rapiddraft booklets were not always adequately secured or locked up. No fraud, waste, or theft was in any way intimated. Distribution of the GSA audit report indicates that three copies were delivered to the then Chairman of the agency, since departed.

At the time of the report, financial management was undertaken by a division of the Office of Administration, which in turn reported to the Managing Director, a non-career appointee, who reported to the Chairman. As a practical matter, the Deputy Managing Director would have had day-to-day supervisory responsibility for the Office of Administration. None of these individuals are currently with NTSB. According to a memorandum dated November 16, 1992, the Chief of the Financial Management Division proposed to his immediate supervisor several remedial actions, apparently acceptable to the Director of the Office of Administration. Whether any of these actions were reported further up the management structure, I am unable to say.

Factually speaking, NTSB did move away from the travel advance system that was the principal issue of criticism, and I am unaware of any present issue with investigators having subsequently written rapiddrafts to cover travel expenses. It would appear that the chief deficiencies stated in the 1992 audit resolved themselves, whether as a result of precautionary actions or simple changes in circumstances, again I cannot say with any certainty.

I would add that NTSB has undergone an extensive administration reorganization that should help to prevent any repetition. All purely administrative functions now report directly to Managing Director. (The titles of Deputy Managing Director and Managing Director are now Managing Director and Executive Director, respectively.) Financial management has been removed from administration altogether, and, in accord with the principles of the Chief Financial Officer Act, a freestanding office reporting directly to the Chairman has been established. We did not hesitate to implement the recommendations of the DOT IG coming from the recent audit, and I am confident that NTSB follow-through will be exemplary.

Mr. MEAD. Here is something that I think—illuminating on that. After the General Services Administration filed its report back then, it was the IG from GSA, the incumbent, the fellow that was the chief financial officer who was then called the comptroller,

same person, he wrote a memo and in it he said that he was going to write another memo reminding everybody not to do these things.

Mr. RYAN. Was the content of that memo notifying employees about NTSB Order 46A and 1542?

Mr. MEAD. Yes, sir. And so—but we have been unable to establish whether in fact that was actually done. And, moreover, it has been our experience, and I am sure yours, that just issuing memoranda really doesn't do the trick.

Mr. RYAN. So the GSA audit was conducted in 1992. They said 92 percent of the Rapidrafts were for out-of-compliance check writing. And then the comptroller at that time, which is also the CFO, you are saying, may or may not have issued a memo to the staff reminding them of how to comply with the Rapidraft system. Is that the gist of what you are saying?

Mr. MEAD. He did write to his boss saying he was going to do these things. But we do not know whether in fact he actually did.

Mr. RYAN. Are you looking at—your audit was a 3-year audit, from fiscal year 1997 through 1999. Have you looked at pre-fiscal year 1997 checks?

Mr. MEAD. No, sir.

Mr. RYAN. Do you have them?

Mr. MEAD. No.

Mr. RYAN. Do you know how much money has been appropriated within the agency to the Rapidraft system? Just the macro numbers of what had been appropriated to the Rapidraft system from 1992 to 1997? Because I know you know what money was deposited into Rapidraft system for fiscal year 1997, 1998, 1999. What about 1992 to 1997?

Mr. MEAD. No, I don't know. All I can say is that the 1997, 1998, 1999 patterns are similar. I do not know if the trend existed before that time.

Mr. RYAN. Mr. Hall, do you have access to the data that would show us how much money was ultimately passed through the Rapidraft system from 1992 to 1997?

Mr. HALL. We would be glad to try and obtain that for the record, Congressman.

Mr. RYAN. If you could, that would be helpful.

[The information referred to follows:]

TOTAL DOLLARS PAID THROUGH THE RAPIDRAFT SYSTEM AND THE NUMBER OF CHECKS WRITTEN

[Fiscal year]

Fiscal year	Dollar value	Number of Rapidrafts written
1992	\$1,202,580.57	5,937
1993	\$2,677,364.18	7,929
1994	\$1,398,778.13	6,718
1995	\$2,407,865.42	7,685
1996	\$2,824,574.71	7,696
1997	\$4,277,124.64	8,836
Total	\$14,788,287.65	44,801

Mr. RYAN. Mr. Mead, at your entire Department of Transportation Inspector General—I came late, so I know these questions may have been exhausted already—but it is my understanding that

yesterday the Department of Transportation ceased all Rapidraft procedures as of yesterday, is that correct?

Mr. MEAD. Yes, sir. This subject did come up before. And based on the NTSB experience, our own audit of FAA previously, that Departmentwide instruction was issued yesterday that, as of May 10, they will no longer be used in the Department. The reason for the 30 days, I hasten to add, is because we have air traffic control facilities in the field we want to make sure that they have credit cards and they don't say, well, thanks for leaving us hanging.

Mr. RYAN. How many Rapidraft systems were in place within the entire Department as of yesterday?

Mr. MEAD. I believe that there were two, FAA and the Volpe Center in Boston. The Federal Highway Administration I believe had discontinued it. I will correct that for the record if I am wrong. FAA had been spending, I think, about \$15 million this past year; the Federal Highway Administration, \$80,000; the Volpe Center, about 80 or 90,000. I think 40,000 checks at FAA.

Mr. RYAN. Forty thousand at the FAA.

Mr. MEAD. In 1999.

Mr. RYAN. What is the total dollar amount?

Mr. MEAD. About \$15 million.

Mr. RYAN. That is, again, the total budget? You are auditing that right now?

Mr. MEAD. No, but we soon will be.

Mr. RYAN. I hope we look at other areas within the entire Federal structure where Rapidraft systems are employed. I think that is something that is a challenge for the committee here.

I want to go back to in 1992. What is the procedure that occurs when another government agency like the GSA audits a program—what is the procedure that is in place today to make sure that those audits are actually recognized, that those audits are responded to, that the audits are acknowledged? What happens? I am just curious as to what happens when those audits come to you.

Mr. MEAD. Within the Department of Transportation over which we have jurisdiction, there is a requirement that they respond. In this case, where we didn't have the jurisdiction over NTSB, there is no requirement for follow through; and in the GSA case the GSA never follows up. In this case, there is follow up I think largely because of the relationship between the NTSB and us. But it is not a legal requirement, if you will.

Mr. RYAN. So in your opinion—and I don't want to paraphrase for you, but this was discovered in 1992, these inherent flaws: room for embezzlement, over-the-limit expenditures, and noncompliant expenditures were known in 1992.

Mr. Hall, when you found out, you put an end to it just this last year. Why do you think it took so long to find this out? And what went wrong in 1992? Is it simply that they went to one individual, which was at that time the CFO, who just let it die by the wayside? Then it cropped back up in 1999? Or what do you think, Mr. Mead, was the cause for that?

Mr. Hall, please feel free to answer as well.

Mr. HALL. Congressman, in fairness to the people, I don't know. Because I wasn't there, I don't know what they did. I don't want to respond to a question when I truly do not know the answer.

Mr. MEAD. What happens when we travel, we put it on a credit card. In order to get paid back, we have to fill out a form that says where we traveled, how much we spent. It has to be approved, goes into the system. The Department of the Treasury eventually cuts an electronic transfer to our personal bank account. And there is also a general audit made.

That is, obviously, a more difficult procedure to get money from the U.S. Government than a procedure where you simply write a check to yourself and cash it. And if you have a system in place where you don't even have to sign the check or you don't have to put down the purpose, it is more expeditious. But I think we all know that we can't have a system like that in place in government and public service. So it is easier.

Mr. RYAN. This question may have been asked as well, but I would like to hear from you Mr. Hall, as part of the Rapidraft Payment System NTSB maintained a \$350,000 in a noninterest-bearing account with Gelco. What efforts have NTSB undertaken to retrieve the \$350,000 deposit since the Rapidraft system was stopped?

Mr. HALL. That matter was covered, and that question responded to. I will be glad to have Mr. Levine respond again.

Mr. RYAN. If you could respond.

Mr. LEVINE. I became aware of the deposit about a month and a half into my tenure. I directed my people to go after Gelco. There are some issues dealing with float charges and outstanding charges. We intend to get that money very shortly.

Mr. RYAN. Thank you.

That is all, Mr. Chairman.

Mr. SUNUNU. Thank you very much, Mr. Ryan.

I want to thank all of our witnesses today for their time and for their candor. Should the Task Force have any additional requests for information, I want you to know that we will be mindful of the burden that is on you now with the work that you do every day. And, again, I appreciate the information that you provided that I believe has already made a difference in putting important focus on the way we disburse money in departments and agencies across the Federal Government; and for that you are to be congratulated.

Thank you, all.

The Task Force is adjourned.

[Whereupon, at 12:40 p.m., the Task Force was adjourned.]